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**Corporate Political Activity in Sub-Saharan
Africa: The Influence of Multinational
Enterprises in the Institutionalisation of
Uganda's Electricity Industry**

**Thesis submitted for the
Degree of Doctor of Philosophy**

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September, 2015**

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ABSTRACT

The study investigates the extent to which Multinational Enterprises (MNEs) operating in Uganda's electricity industry engage in corporate political activity (CPA)¹, and how this in turn influences regulatory institutionalisation. It deploys an exploratory, qualitative multi-case study approach drawing on semi-structured interviews, archival materials, media reports and fieldwork notes for data collection. Data analysis is informed by an NVivo-supported grounded analytic method.

The findings indicate that MNEs deploy heterogeneous CPA strategies to respond to pro-market reform in emerging markets undergoing regulatory institutionalisation. Some of the most important responses reflect divergences in configuring the relationship with the host government and in nurturing adaptable and anticipatory political embeddedness. Deeper analysis in turn links these divergent responses to the degree of engagement with five underlying perspectives – competing multi-stakeholder demands; challenges of getting locally embedded; accommodation of Africa as an emerging political market; the implications of institutional fragility; and the demands of an evolving political environment. Uganda emerges thereby as a laboratory for diverse CPA strategies targeting other emerging markets in the region.

The primary contribution to knowledge concerns the CPA research domain, adding to it perspectives on antecedents and a typology of CPA in emerging markets undergoing regulatory institutionalisation. There is a further synthesis to address political capability theory (and its integration in broader organisational capability theory) by clarifying the nature and the patterns of development of corporate political capabilities in such emerging markets. At a secondary level, there is also a contribution from an institutional theoretic perspective regarding corporate political influence on the process of emerging institutionalisation. This translates into evidence for a co-evolutionary relationship between emerging institutionalisation and CPA. Finally, there is a policy perspective that is addressed in the recommendations of the study.

¹ CPA is defined here as *corporate attempts to influence government policy in ways that are favourable to the firm* (Baysinger, 1984; Hillman and Hitt, 1999).

Content list	Page
Abstract	3
List of figures and tables	10
List of Abbreviations	13
Acknowledgment	15
1 Introduction	18
1.1 The research problem	20
1.2 The relevance and the importance of the research	21
1.3 Research question, aim and objectives	23
1.3.1 The research question	24
1.3.2 Aim of the research	24
1.3.3 The key objectives of the research	25
1.4 The methodological approach	26
1.5 The study's contribution to knowledge	28
1.5.1 The antecedents of CPA in emerging markets	28
1.5.2 A CPA typology for emerging markets	29
1.5.3 Political capability theory and emerging markets	30
1.5.4 Extension of institutional theory	31
1.5.5 Contribution to policy considerations	32
1.6 The scope and the limitations of the study	32
1.7 The structure of the thesis	34
2 Background	36
2.1 Introduction	36
2.2 General background	37
2.3 Economic background	38
2.4 Political background	40
2.5 Socio-cultural background	42
2.6 The interpretation and the practice of capitalism in Uganda	43
2.7 The electricity sector in Uganda	47
2.8 Conclusion	53
3 Literature review	54
3.1 Introduction	54
3.2 Locating the research under strategic management	56

3.2.1	The institution-based view of strategy and its place on a strategy tripod	56
3.2.2	The nonmarket strategic perspective	58
3.3	Foundational perspectives on institutions	59
3.3.1	Definitional and typological perspectives of institutions	60
3.3.2	Institutionalisation as process	62
3.3.2.1	The historical macro-process perspective	62
3.3.2.2	The contemporary micro-process perspective	63
3.4	The corporate political activity (CPA) perspective	67
3.4.1	Reviewing some leading evaluations of CPA research	69
3.4.2	The resources and capabilities perspective of CPA	73
3.4.3	The institutional perspective of CPA	74
3.4.4	The political environmental perspective of CPA	76
3.4.4.1	General perspectives	76
3.4.4.2	The political market perspective	77
3.5	Market entry mode and its implications	80
3.6	Summary of the theoretical framework for the study	84
3.7	Conclusion	89
3.8	Overview of the precursor propositions	91
4	Methodology	93
4.1	Introduction	93
4.2	The contrasting traditions of social science	95
4.3	Research approach and rationale	96
4.4	Integrating the diverse dilemmas and assessing the implications	99
4.5	The research design	101
4.5.1	Introduction	101
4.5.2	The research cases and the unit of analysis	101
4.5.3	The research methods of this study	104
4.5.3.1	Methods of data collection	105
4.5.3.2	Ethical considerations for data collection	108
4.5.3.3	Conclusion	110
4.5.3.4	Collecting the data	110
4.5.3.5	Profile of interviewees, archival materials and some broader issues	116
4.5.3.6	Methods of analysing the data	117

4.5.3.7 Mapping the research design and its operationalization	127
4.5.3.8 Ethical considerations	128
4.5.4 Piloting the research design	128
4.6 Reflections, learning and broader issues	129
5 Findings	130
5.1 Introduction	130
5.2 Structure of the chapter	131
5.3 Rationale for the presentation of the findings	132
5.4 Findings category A: Antecedents and rationale of reform	135
5.4.1 Introduction	135
5.4.2 Summary of the findings for category A	135
5.5 Results category B: The market entry perspective	139
5.5.1 Introduction	139
5.5.2 Summary of findings for market entry	140
5.6 Results category C: Political Market Embeddedness – the broad perspective	141
5.6.1 Introduction	141
5.6.2 Overview of the findings on the broad perspective on political market embeddedness	142
5.6.3 Key findings on the broad perspective on political market embeddedness	143
5.7 Results category D: Political market embeddedness - the policy-making and regulatory institutional reality	164
5.7.1 Introduction	164
5.7.2 Key findings on the policy making and regulatory institutional reality of political market embeddedness	165
5.8 Results category E: Political market embeddedness - the political environmental perspective	178
5.8.1 Introduction	178
5.8.2 Key findings of the political environmental perspective	178
5.9 Categorising the firms/partnerships according to CPA strategic behaviour	198
5.10 Conclusion to the findings	201
6 Interpretation and discussion	203
6.1 Introduction	203
6.2 Structure and map of the chapter	203

6.3	Market entry perspectives	204
6.3.1	Introduction	204
6.3.2	The broad perspective	205
6.3.3	Entry mode choices	209
6.3.3.1	Joint venture entry	209
6.3.3.2	Greenfield entry in partnership with the host government	212
6.3.3.3	Greenfield entry in partnership with the home government	215
6.3.3.4	Home-grown market diversification	216
6.3.4	Timing of entry	217
6.3.5	Contractual negotiations	219
6.3.5.1	Joint venture-oriented negotiations	219
6.3.5.2	Greenfield, host government-oriented negotiations	220
6.3.5.3	Greenfield, home government-oriented negotiations	222
6.3.5.4	Historically market-embedded negotiations	223
6.3.5.5	Contestable clauses in the agreements	224
6.3.6	HQ-Subsidiary dynamics and home country effects	225
6.3.7	Summary of the relative levels of government involvement in market entry	227
6.3.8	Risks and uncertainties	228
6.3.8.1	Large dam projects	228
6.3.8.2	Closeness to government	230
6.3.8.3	Small dam projects	231
6.3.8.4	Liability of localness	232
6.4	Market embeddedness – the institutional perspective	233
6.4.1	Introduction	233
6.4.2	Matrix of heterogeneous CPA strategies	235
6.4.3	CPA and its linkage to government reform policies and political agendas	236
6.4.3.1	Highly proactive/pre-emptive CPA supported by home and host governments	236
6.4.3.2	Moderately proactive/pre-emptive CPA resisted by the host government	238
6.4.3.3	Moderately proactive/pre-emptive CPA supported by the host and home governments	241
6.4.3.4	Highly adaptive CPA supported by the home government	244
6.4.4	Evidence of CPA and its impact on emerging institutions in early stages	

of reform	246
6.4.4.1 Introduction	246
6.4.4.2 Highly proactive/lowly adaptive CPA	246
6.4.4.3 Modestly proactive/modestly adaptive CPA	249
6.4.4.4 Modestly proactive/highly adaptive CPA	253
6.4.4.5 Lowly proactive/highly adaptive CPA	254
6.4.5 Evidence of CPA and its impact on emerging institutions at intermediate stages of reform	256
6.4.5.1 Highly proactive/modestly adaptive CPA	256
6.4.5.2 Modestly proactive/modestly adaptive CPA	261
6.4.5.3 Modestly proactive/highly adaptive CPA	263
6.4.5.4 Anticipatory adaption	264
6.4.6 The broader conceptual perspective on CPA in emerging markets	266
6.5 Market embeddedness - the political environmental perspective	268
6.5.1 Introduction	268
6.5.2 Key insights from the political environmental perspectives	269
6.5.3 Lobbying and political connectedness	269
6.5.3.1 Identifying and exploiting social and political networks	270
6.5.3.2 HR strategy	272
6.5.3.3 The benefits and pitfalls of closeness to government	274
6.5.3.4 Alternatives to closeness to government	276
6.5.3.5 The advantages and challenges of a home-grown EMNE	277
6.5.4 Political risk	279
6.5.4.1 Introduction	279
6.5.4.2 Large dam projects	280
6.5.4.3 The dynamics of a state-owned enterprise	281
6.5.4.4 Reconfigurations of the balance of power between the arms of government	283
6.5.4.5 Mitigating risk using adaptive strategies	284
6.5.4.6 Historical political embeddedness and its limitations	286
6.5.5 The political salience of issues	288
6.5.5.1 Environmental and social issues	288
6.5.5.2 HQ-Subsidiary relationships	290
6.5.5.3 China in Africa	292

6.5.5.4	The benefits and the pitfalls of localness	293
6.5.6	Miscellaneous issues	295
6.6	Conclusions	296
6.7	Market embeddedness - The integrated institutional and political perspective	298
6.7.1	Introduction	298
6.7.2	Political market power configurations between MNEs and emerging institutions	299
6.7.3	Reconfigurations between the different arms of government	300
6.7.4	China in Africa	302
6.7.5	MNEs and dynamics at the base of the pyramid	303
6.7.6	A framework for heterogeneous CPA strategies in new emerging markets undergoing regulatory institutionalisation	304
6.8	Conclusion	306
7	Conclusions, contribution to knowledge, limitations of the research, future research, recommendations and reflections	308
7.1	Introduction	308
7.2	Main conclusions	308
7.3	Revisiting the research objectives	313
7.4	Contribution to knowledge	318
7.4.1	The CPA domain	318
7.4.1.1	Antecedents of CPA	319
7.4.1.2	Types and typologies of CPA	325
7.4.1.3	Political capability theory	327
7.4.2	Extending institutional theory	331
7.4.3	Contributions to policy making in Uganda's electricity industry	333
7.5	Limitations of the research	334
7.6	Future research	335
7.7	Recommendations from the study	337
7.7.1	Clarification of institutional roles and responsibilities	337
7.7.2	Discussion on scale and scope of institutionalisation	338
7.7.3	Assessing risk	338
7.7.4	Clarifying the involvement of government in the sector	339
7.7.5	Institutional learning strategies	339
7.7.6	The implications of heterogeneous political strategies for MNEs	340
7.8	Final reflections on the research	340

8	References	343
9	Appendices	384
	Appendix 1: Catalogue of interview questions (MNEs)	384
	Appendix 2: Catalogue of interview questions (Institutions)	385
	Appendix 3: Sample of information sheet and consent form for research participants	385
	Appendix 4: Ethics Committee Approval Letter	387
	Appendix 5: Sample of letter/email seeking access to an MNE	388
	Appendix 6: Sample of letter of recommendation from the Permanent Secretary, Ministry of Energy and Mineral Development, Uganda	389
	Appendix 7: Other selected excerpts to enhance evidence	390
	Appendix 8 - Interviews, interviewee profiles and interview codes	392
	Appendix 9 – Archival documents, public documents and document codes	394

LIST OF FIGURES AND TABLES

Figure/Table	Page
Fig. 1.1 Map of the thesis	34
Fig. 2.1 Map of Chapter 2	36
Fig. 2.2 GDP growth trends in Uganda's economy	39
Fig. 2.3 FDI Net Inflows in Uganda's economy	39
Fig. 2.4 An overview of Uganda's electricity sector	49
Fig. 2.5 Key milestones in the reform of Uganda's electricity industry	50
Fig. 2.6 Trends in the cost of electricity for the final consumer in Uganda	52
Fig. 3.1 Map of Chapter 3	55
Fig. 3.2 The CPA framework	73
Fig. 3.3 Demand and supply elements in a political market	78
Fig. 3.4 Prediction of levels of regulatory uncertainty according to political market profiles	79
Fig. 3.5 Schematic illustration of the theoretical framework	89
Fig. 4.1 Map of Chapter 4	94
Fig. 4.2 Philosophical, social, political and practical dilemmas and their implication for research	100
Fig. 4.3 Schema of a ground analysis-based approach to data analysis	123
Fig. 4.4 Schemata of levels of analysis using NVivo10	125

Fig. 4.5 Illustration of progressive coding at the node for institutional reality using NVivo	126
Fig. 4.6 A map of the research design operationalization	127
Fig. 5.1 Map of Chapter 5	132
Fig. 5.2 Empirical grounding in NVivo for market entry	140
Fig. 5.3 Empirical grounding in NVivo for political market embeddedness	144
Fig. 5.4 The Bujagali II project stakeholder (re)-engagement map	147
Fig. 5.5 Empirical grounding in NVivo for institutional perspectives of market embeddedness	166
Fig. 5.6 Stages of institutionalisation and timeline of reform	174
Fig. 5.7 Empirical grounding in NVivo for political environmental factors	179
Fig. 6.1 Map of Chapter 6	204
Fig. 6.2 The political market situation in Uganda's liberalised electricity industry (2003)	208
Fig. 6.3 The political market situation in Uganda's liberalised electricity industry (2013)	208
Fig. 6.4 The strategic profile of the Pisu/Energy Global joint venture	212
Fig. 6.5 The relative political market power of firms versus emerging institutions during institutionalisation	298
Fig. 6.6 Framework for the evolution of heterogeneous CPA strategies in emerging markets undergoing regulatory institutionalisation	305
Table 2.1 Large hydropower installations in Uganda	50
Table 2.2 Small to medium hydropower installations in Uganda	51
Table 2.3 Bagasse-based electricity cogeneration	51
Table 2.4 Tariffs in Uganda's electricity industry in comparison with other Sub-Saharan African countries	52
Table 3.1 Summary of frameworks of stages of institutionalisation	65
Table 3.2 The key theoretical foundations of the research	88
Table 4.1 Assumptions of the two predominant philosophies of social science research	96
Table 4.2 Overview of key targeted interview partners and their area of Expertise	116

Table 5.1 Summary of case profiles	133
Table 5.2 Overview of the findings	134
Table 5.3 Main conclusions about stakeholder engagement	145
Table 5.4 Main conclusions about local embeddedness	152
Table 5.5 Main conclusions about social and political capital	156
Table 5.6 Main conclusions about the understanding of Africa by the firms	160
Table 5.7 Main conclusions about the institutional reality in general	166
Table 5.8 Main conclusions about the stage of institutionalisation	168
Table 5.9 Resistance and support of institutionalisation by firms	176
Table 5.10 Main conclusions about lobbying and political connectedness	180
Table 5.11 Main conclusions about political interference	185
Table 5.12 Main conclusions about host-mother government relationships	190
Table 5.13 Main conclusions about salience of issues	193
Table 5.14 Summary classification of emerging CPA strategic behaviour	199
Table 6.1 Stage of institutionalisation of regulation at time of entry of various players	206
Table 6.2 Summary of relative levels of involvement of government in the cases	228
Table 6.3 Matrix of heterogeneous CPA strategies	235
Table 6.4 Summary of behaviour toward regulatory institutionalisation at different stages	266

LIST OF ABBREVIATIONS

AMNE:	Advanced Market Multinational Enterprise
BIE:	Bureau International des Expositions
BoP:	Bottom of the Pyramid
CBOs:	Community Based Organisations
CPA:	Corporate Political Activity
CSR:	Corporate Social Responsibility
DRC:	Democratic Republic of the Congo
DWRM:	Directorate for Water Resource Management
GDP:	Gross Domestic Product
EGADAU:	Electricity Generators and Distributors Association of Uganda
EMNE:	Emerging Market Multinational Enterprise
ERA:	Electricity Regulatory Authority
FDI:	Foreign Direct Investment
IMF:	International Monetary Fund
IPP:	Independent Power Producer
LC:	Local Council
MD:	Managing Director
MEMD:	Ministry of Energy and Mineral Development
MGR:	Multinational Enterprise-Government Relations
MNE:	Multinational Enterprise
MW:	Megawatt
MOU:	Memorandum of Understanding
NEMA:	National Environmental Management Authority
NEPAD:	New Economic Partnership for African Development
NGO:	Non-Governmental Organisation
NMS:	Nonmarket Strategy
NWSC:	National Water and Sewerage Co-operation
OPM:	Office of the Prime Minister
PPP:	Public Private Partnership

REA: Rural Electrification Agency

SOE: State-Owned Enterprise

SSA: Sub-Saharan Africa

UEB: Uganda Electricity Board

UEDCL: Uganda Electricity Distribution Company Ltd

UEGCL: Uganda Electricity Generation Company Ltd

UETCL: Uganda Electricity Transmission Company Ltd

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1 Introduction

This thesis investigates the extent to which Multinational Enterprises (MNEs) operating in Uganda's electricity generation industry engage in corporate political activity (CPA)², and how this engagement in turn influences institutionalisation in the industry. CPA is defined here as *corporate attempts to influence government policy in ways that are favourable to the firm* (Baysinger, 1984; Hillman and Hitt, 1999). It aims to create and maintain a set of external stakeholder relationships, especially with political and regulatory publics (Getz, 1997), thus emerging as a managerial function of substantial strategic importance. Section 3.4 in Chapter 3 offers the theoretical background to CPA as a strategic management research domain, and identifies the research gap concerning emerging markets.

The choice of Uganda as the country context for the study emanates from its pioneer role in Sub-Saharan Africa in introducing comprehensive pro-market reforms in key sectors of its economy, including utilities, banking and telecommunications, from the early 1990s onwards (Engurait, 2005; Robinson, 2007; Kuteesa et al., 2010; Mawejje et al., 2012; Mwenda, 2015). The study is hence also a statement on early experiences with pro-market reforms in Africa from a corporate political perspective, using Uganda as a research case. An important ingredient of the reforms was a recalibration of government-business relations, to accommodate the political market forces unleashed by the market entry and the ensuing political embeddedness of the MNEs in question.

² This is interchangeably referred to as *government-business relations* or *government affairs* in extant literature.

The concept of political embeddedness draws on Sun et al.'s (2010a) suggestion that it is a *'firm's social embeddedness, with special reference to political actors and institutions'*. It hence describes the extent to which a firm is favourably associated with the political institutions and the actors in the host market as part of its CPA strategy. In this research, the extent to which MNEs 'embed' themselves in Uganda's electricity industry, as a prerequisite for successful CPA, attracts considerable attention. Consequently, various political resource bundles (stakeholder constellations, hosting communities, social/political capital, knowledge about Africa and the regulatory and policy-making context) are identified, all of which form the basis for creating and deploying heterogeneous political capabilities. Political embeddedness hence translates into an important analytical and structural tool in Chapter 5 (the findings) and ultimately Chapter 6 (the interpretation and discussion).

The introductory chapter consequently identifies the research problem in subsection 1.1. Further, there is a substantiation of the relevance and the importance of the research in subsection 1.2. The overarching research aim, the research question and the key research objectives are in turn identified and elaborated in subsection 1.3, thus making justification for the study concrete. Thereafter, the methodological approach deployed in the study is introduced in subsection 1.4, followed by a preview in subsection 1.5 of the ultimate contribution of the study to knowledge. Subsection 1.6 then indicates the scope of the study, as well as its limitations. Finally, subsection 1.7 presents a structural overview of the thesis and an introduction to the various chapters.

1.1 The research problem

In seeking to understand how the rules that underlie policy and regulatory institutions emerge in different country contexts, there is a growing corpus of evidence that suggests that firms exploit their ever-growing capabilities as political actors, to try to shape these rules in their favour (Baron, 1995b, 2001; Hillman and Hitt, 1999; Hillman et al., 2004; Doh et al., 2012; Lawton et al., 2014). The evidence to date, however, has predominantly emanated from politically and institutionally stable, advanced economies. While some research has increasingly addressed mature emerging and transition economies (e.g. Luo, 2001b, 2004; Sun et al., 2010a; Sun et al., 2011; Pei et al., 2012), the evidence for the wider community of emerging economies outside the BRICS³ bracket remains thin and anecdotal. Given the growing combined importance of these economies as nuclei for new FDI activity, sources of high demand for diverse products and services and as incubators of emerging market MNEs or EMNEs (Aykut and Goldstein, 2006; Ramamurti and Singh, 2009; Raman, 2009; Luo, 2010; Sauvart et al., 2010; Stal and Cuervo-Cazurra, 2011; Yaprak and Karademir, 2011; Hennart, 2012), it is important to understand how the political character of MNEs is manifesting itself in a context like this. To the extent that it helps explain EMNEs, such research also contributes to satisfying the growing need for deeper insights into an ‘increasingly multi-polar international economy’ (McGuire et al., 2012, p.32).

Most importantly, how CPA in these often volatile and uncertain environments is influencing policy and regulatory institutional behaviour can be instructive not only for management research academics, but also for policy makers. The study therefore sets out on a journey to explore corporate political activism in a Sub-Saharan African

³ BRICS = Brazil, Russia, India, China and South Africa

country, and to examine how it impacts on emerging institutions, using Uganda's pro market-reformed electricity industry as the research context. The institutions are understood to be 'emerging' in the sense that they are being transformed by new policy directions rooted in pro-market reforms, and are confronted by issues and challenges which are more daunting and novel than before (Hoskisson et al., 2000; Baark, 2007). Broader foundational issues on emerging institutions and institutions in general are explained in section 3.3 of Chapter 3, thus clarifying usage in the study.

1.2 The relevance and the importance of the research

The research is effectively a response to calls by various international scholars for more research on emerging markets, given their growing importance in the global economy (e.g. Raman, 2009; Doh et al., 2012; Kingsley et al., 2012; Lawton et al., 2014). As an example, Lawton et al. (2013a, p.99) predict that 'as emerging markets come to have greater stakes in the international economy, it seems plausible to suggest that their firms will, like their western counterparts, come to see political activity as a necessary compliment for their market strategies'. In light of the profound political and socio-economic transformations that these markets are experiencing as they continue to adapt to a changed global geopolitical situation following the end of the Cold War, such political activity therefore also assumes strategic importance. This expresses itself not only in an improved approach by MNEs to crafting market strategies (Lawton et al., 2014), but perhaps even more importantly in contributing to shaping democratic forms of governance and public discourse in these young markets. The acrimonious disagreement between the executive and the legislative arms of government in Uganda on the appropriateness of the level of regulatory favourability that was granted to some MNEs, as is reported in

the study, is an example of the potential for the market entrants to substantially shape democratic institutions.

In illuminating the emerging CPA in Uganda and indicating how some market entrants are increasingly using this pioneer reformer in Sub-Saharan Africa as a springboard for entry into other markets in the region, the study also sketches an emerging Pan-African perspective to the phenomenon. A door thus opens for future investigations into an African version of CPA that is taking shape and contributing to clarifying Africa's emerging reputation as a 'new frontier' (Raman, 2009; Luiz and Ruplal, 2013) of FDI-oriented growth. The fact that two of the cases in the study seem to be strategically positioning themselves for a strategic stake in the continent's most important hydropower dam generation project yet, the Grand Inga project on the Congo River, is a pointer in this direction (Wesangula, 2014; Yukhananov, 2014). The Grand Inga is projected to have a generation capacity of over 40000 MW and to emerge as the world's largest dam project. Its potential transformational effect in the region is hence highly significant, as noted by both Yukhananov and Wesangula (*op cit*) and other observers.

It is worth noting that the research evidence from these markets would hence be expected to inform an institutionally-oriented CPA perspective that furthers our understanding of new emerging markets, going beyond the mature emerging and transition economies that have mostly predominated in extant literatures (Hoskisson et al., 2013). Also, given the importance increasingly attached to institution-building as one of the key routes to sustainable development, research that contributes to our understanding of the nature and behaviour of emerging institutions in countries like Uganda from a corporate political point of view is of strategic developmental

importance. Accordingly, the research also offers a conduit to an emerging stream of scholarship that seeks to shift the discourse on emerging markets away from a pre-occupation with 'institutional voids' to a stronger appreciation of the progress being made to craft institutions that are contingently more effective and efficient (Luiz and Ruplal, 2013; Zhao et al., 2013; Khoury and Prasad, 2012; Khanna et al., 2005).

1.3 Research question, aim and objectives

This subsection proceeds to state the research question, derived from the research problem above. Further, it clarifies the overarching aim and the key objectives of the research, drawing on gaps in extant literatures that are indicated in this introductory chapter and substantiated in the literature review in Chapter 3. The lack of empirical studies on the interaction between nonmarket strategic choices of MNEs, as reflected in their CPA, and institutional emergence, amalgamating historical-evolutionary and contemporary perspectives, constitutes the broad conceptual justification for this research. More specifically, the lack of studies on the political capabilities associated with the CPA strategies that MNEs deploy in emerging markets like Uganda, which are undergoing regulatory institutionalisation, translates into a research gap that this study attempts to fill. Research that addresses this gap would also assist in explaining how these political capabilities could be more effectively cultivated and integrated into the strategic management of MNEs entering new emerging markets. Also, policy makers would be better positioned to formulate industry policies that encourage institutionally supportive CPA and the associated political capabilities, whilst discouraging those that undermine the emergence of effective institutions.

The research question and its associated aims and objectives are therefore framed to address aspects of this research gap.

1.3.1 The research question

The study consequently seeks to address the research problem delineated above by investigating the following research question: *To what extent do MNEs operating in Uganda's electricity generation industry engage in corporate political activity (CPA), and what is the implication of this for emerging institutions?*

'MNEs' is used here as a generic term to represent both Advanced Market Multinational Enterprises (AMNEs), i.e. MNEs originating from classical industrially developed countries, and Emerging Market Multinational Enterprises (EMNEs), i.e. MNEs that are increasingly being nurtured in emerging markets. The usage of the terms 'CPA' and 'emerging institutions' has been introduced earlier in this chapter and is substantiated in Chapter 3.

1.3.2 Aim of the research

The primary aim of the research is therefore to gather and examine the evidence reflecting the CPA of MNEs in Uganda's electricity industry, and to make an assessment of its implications for emerging institutions. This aim inherently acknowledges the importance of MNEs as agents and drivers of constantly growing FDI in new emerging markets that have embraced pro-market reforms in recent decades. Further, it recognises that this CPA may have important emerging institutional implications that warrant an investigation by management researchers to explain what is happening.

1.3.3 The key objectives of the research

Deriving from the research aim above and the theoretical rationale that is expounded in the literature review in Chapter 3, the key objectives of the research are hence outlined below. These four objectives play a central role in guiding the implementation of the research as elaborated in Chapter 4, and in focussing it to rigorously address the research question presented above.

Key Objective One

i) To investigate the extent to which the CPA of MNEs in Uganda's liberalised electricity industry reflects the levels of emerging regulatory institutionalisation in the industry.

Comments: This objective integrates a co-evolutionary perspective in the study by assessing the interplay between CPA and the different stages of regulatory institutionalisation in a new emerging market. How the four research cases (arising from five MNEs) in the study behave in this regard is critical in advancing evidence to inform a CPA typology for emerging markets.

Key Objective Two

ii) To study the extent to which the political embeddedness in the emerging institutional context of Uganda by MNEs operating in the electricity industry affects their CPA.

Comment: The evidence emanating from this objective is critical to further clarifying and explaining the strategic differences among the cases under investigation. Historical, political, developmental and social/environmental impact assessment perspectives strongly inform issues here.

Key Objective Three

iii) To explore the impact of the national political environment on the nature of CPA of MNEs in Uganda.

Comment: This objective introduces a macro-level perspective to the study to contextualise the micro-level considerations. It captures broader issues that emerging markets have to accommodate in creating a space for CPA in a pro-market reform setting.

Key Objective Four

iv) To make a contribution to knowledge by advancing evidence that illuminates the nature of CPA of MNEs in an African emerging market, and its institutional implication.

Comment: This objective focusses the contribution the study is making to management research knowledge, i.e. primarily to the emerging CPA domain from a political capability perspective.

1.4 The methodological approach

In light of the substantial research gap on CPA and its institutional implication in emerging markets, the research deploys an exploratory, qualitative multi-case study approach. This is generally considered a prudent strategy for research in its infancy (Eisenhardt, 1989; Crotty, 1998; Grant, 2003; Yin, 2003, pp. 45-55; Sun et al., 2010a). The wider philosophical rationale is that the broad interpretivist approach, specifically the social constructionist version used here, enables the researcher to make sense of reality using a reflexive, iterative and rich approach (Crotty, 1998; Hammersley and Atkinson, 2007, pp. 14-18; Easterby-Smith et al., 2008, pp. 58-60).

Further, such an approach translates into access to the deeper levels of complexity in a situation by focussing on its context (Miles and Huberman, 1994, p.10).

More specifically, the study operationalises the social constructionist philosophy through the choices that inform the research design in section 4.5. This is further enhanced by drawing on a grounded analytic method to analyse the data (section 4.5.3.6). Grounded theory that underlies the grounded analysis method is particularly strong in capturing rich data, offering authentic routes to entering the reality of research participants, focussing what is happening quickly without sacrificing its detail, facilitating the ingenuity and the incisiveness of the researcher and sensitising the researcher to emerging reality by remaining open (Charmaz, 2006; Easterby-Smith et al., 2008).

The operationalization of the research strategy culminates in fieldwork in Uganda, extending over a period of nine months for the main data collection (and preliminary analysis) and a further two months of follow-up fieldwork to enhance the findings' validity (see section 4.5.3.7). Ultimately, the outcomes of the grounded analytic approach inform the formulation of empirically-based propositions to refine and expand the precursor propositions advanced in the literature review in Chapter 3. These empirical propositions constitute the basis for the formulation of new theory about CPA and its associated political capabilities in emerging markets like Uganda which are undergoing regulatory institutionalisation.

1.5 The study's contribution to knowledge

Overall, the research primarily identifies the formation of CPA in new emerging markets and interprets the nature of the underlying political capabilities. This contributes specifically to two streams of research identified by Hillman et al. (1999; 2004) as i) antecedents of CPA and ii) types and typologies of CPA. Further, there is a contribution to the organisational capabilities research domain by illuminating political capabilities from a new emerging market perspective. There is also a secondary contribution to institutional theory based on insights about stages of institutionalisation in new emerging markets. Finally, there are some contributions from a policy-making perspective. These four areas are elaborated below.

1.5.1 The antecedents of CPA in emerging markets

The antecedents of CPA as identified by Hillman et al. (*op cit*) are further differentiated at firm, industry and institution levels. The firm level is informed by the interaction between dependency on government by MNEs and diverse manifestations of managerial influence (Hillman and Hitt, 1999; Schöler, 1999; Hillman et al., 2004; Jessie Qi and Peng, 2010). The continued presence of government in the sector, in spite of market liberalisation, and the relational patterns that emerge, are particularly important in clarifying an emerging market reality. The industry-level perspective benefits from insights rooted in the transition from a monopolistic state-owned arrangement to an emerging African version of the free market economy. The insights here inform sub-streams that have prioritised advanced country industries (Getz, 1997; Schöler, 1999; Bhuyan, 2000; Hillman, 2003; Lawton et al., 2013b; Lawton et al., 2014). The final perspective assesses how country-based institutional differences affect political action (Hillman and Keim, 1995; Hillman and Hitt, 1999; Blumentritt,

2003; Hillman, 2003; Kingsley et al., 2012). In the pro-market reform context of an emerging market undergoing regulatory institutionalisation, new institutional arrangements to drive the change are imperative. This study hence illustrates the evolving demands of the different stages of emerging institutionalisation on CPA, and the heterogeneous responses by the MNEs.

1.5.2 A CPA typology for emerging markets

The study also makes a contribution to streams of research that identify and develop typologies of CPA (Hillman and Hitt, 1999; Luo, 2001b; Hillman et al., 2004; Luo, 2004; Lawton et al., 2013a) by advancing a new emerging market classification. It consequently demonstrates how heterogeneous political strategies and capabilities deployed by diverse MNEs/projects can be systematically categorised, for instance using a three-by-three matrix producing nine different strategic combinations of political pro-activeness and reactiveness (see table 6.3 in Chapter 6). Most importantly, the proposed typology exposes four predominant archetypes. These are *the continental activist*, *the global realist*, *the historical entrepreneur* and *the localised hybrid*, as reflected successively in the CPA of the four cases in the study: Pisu/Energy Global (a Kenyan-American joint venture), Frinam (a South African EMNE), Prolux (a Norwegian AMNE) and Avin (a Ugandan EMNE)⁴, and the underlying political capabilities.

The evidence and the conclusions that emanate from these contributions hence inform a still small, but increasingly important stream of research examining the CPA reality of emerging markets. Such an examination in turn creates the basis for broader

⁴ The names of the cases are pseudonyms.

research seeking to align market and nonmarket strategy, not least in these new frontiers of MNE activity (Raman, 2009; Doh et al., 2012; Lawton et al., 2014). Of particular importance is that CPA and its associated political capabilities constitute a heterogeneous and evolving reality around which MNEs can construct competitive advantage.

1.5.3 Political capability theory and emerging markets

One of the most important contributions of the study concerns corporate political capabilities in a new emerging market context. While the two contributions above also variously address important aspects of corporate political capabilities, it is here that the contribution is articulated more succinctly. An important objective is to clarify how the political capabilities identified in the study may challenge extant literatures. The contribution ultimately informs the broader organisational capability (and RBV) theory domain (Nelson and Winter, 1982; Prahalad and Hamel, 1990; Volberda, 1998; Helfat and Peteraf, 2003; Peteraf, 2006) by introducing new emerging market dimensions.

Major attention is given to the capabilities associated with a close relationship with the host government, and how they evolve. The first movers in the study are particularly instructive, informing literatures that explore the benefits and the risks surrounding such capabilities (Frynas et al., 2006; Frynas and Mellahi, 2003; Ramamurti and Doh, 2004). This study advances new evidence of the political capability reconfigurations that take place at later stages of reform, and the rationale for the shifts. In doing this, it also contributes to answering a question raised by some researchers as to whether some political capabilities might be harmful (Lawton et al.,

2013b). The study further explores the political capabilities associated with different approaches to political embeddedness by diverse MNEs (Choi et al., 1999; Okhmatovskiy, 2010; Sun et al., 2010a; Alimadadi and Pahlberg, 2014). It hence suggests that there are variations based on local, national, regional, continental and international institutional dispositions in terms of approach.

1.5.4 Extension of institutional theory

At a secondary level, the research also offers some insights into aspects of emerging institutionalisation that inform institutional theory (Scott, 1987; Oliver, 1991; Tolbert et al., 1996; Oliver, 1997; Dacin et al., 2002). The political dimensions of this perspective are particularly important as they inform the otherwise theoretical or anecdotal contemporary perceptions. There is consequently some insight into how CPA and its associated political capabilities directly or indirectly contribute to shaping regulatory and policy-making institutions in an emerging market. The evidence for this is derived from observations of corporate political behaviour at different stages of institutionalisation, as part of a co-evolutionary perspective. Consequently, the study demonstrates that while all MNEs explicitly support emerging institutionalisation at the early stage of reform, there is a separation into generally supportive and subtly resistant MNEs at the intermediate stages. The decision to support or (subtly) resist institutionalisation appears to depend on divergent interpretations of the political conduciveness of legitimised and effective emerging institutions.

Additionally, the idiosyncrasies of a substantially volatile emerging market necessitate the deployment of a stages framework that is robust enough and fit for

purpose. The study hence proposes a new framework that expands and refines Tolbert et al.'s (1996) simplified framework into more focussed stages. The outcome is a new framework (see Fig. 5.6 in Chapter 5) consisting of seven stages: *Theorisation I*, *Theorisation II*, *Pre-Institutionalisation I*, *Pre-Institutionalisation II*, *Semi-Institutionalisation I*, *Semi-Institutionalisation II* and finally *Full Institutionalisation*.

1.5.5 Contribution to policy considerations

Finally, the study makes some contributions from a policy-making perspective. It does this by recommending how policy makers can create environments that motivate MNEs to indulge in political behaviour that is friendly to institutional emergence. Some of the most important recommendations include the clarification of institutional roles and responsibilities, the assessment of risk by institutional and political actors and a clarification of government involvement in market entry and political market embeddedness. Most importantly, in suggesting that Uganda is a laboratory for political capability configurations that can be leveraged elsewhere, citing the example of the strategic positioning of the Grand Inga dam on the Congo River, the study underscores the continental transformational potential that corporate political capabilities have. Some insights here hence contribute to indicating potential areas of leverage at the interface between development policy and the strategic management of MNEs, especially as part of internationalisation strategies for emerging markets. This and other issues are addressed under the policy recommendations of the research in Chapter 7.

1.6 The scope and the limitations of the study

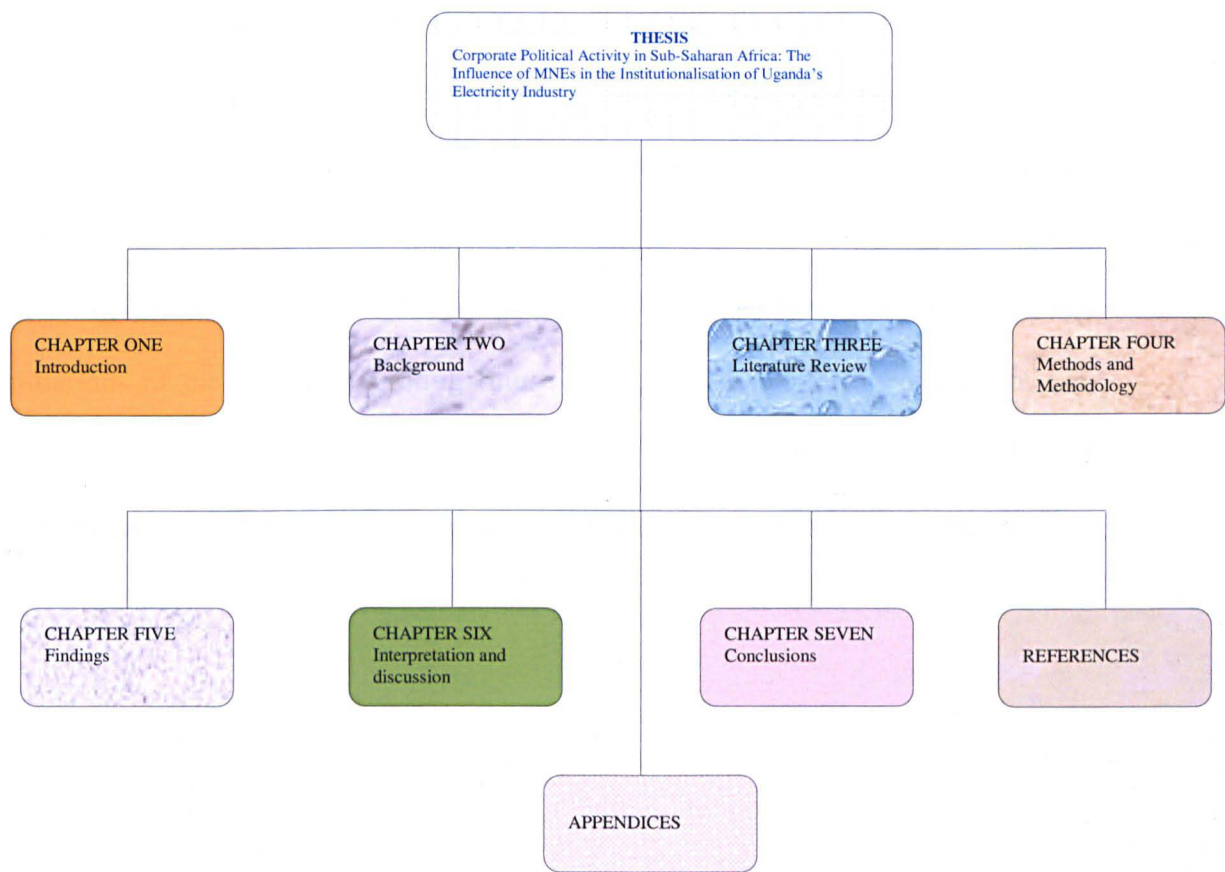
The study uses one industry in the first fifteen years of its existence, after pro-market reform in a single country context. While this offers an opportunity to access

formative issues and developments that would otherwise be inaccessible, it is not informed by potential developments much farther along the lifecycle of that particular industry. By implication, there is a need for insights at a much more advanced stage of reform, let alone perspectives from other industries under the same country-level, pro-market reform conditions. More broadly, the insights about emerging markets could generally be reinforced by evidence from a multi-country perspective, thus ruling out single-country peculiarities. The study also might benefit from a much larger sample of MNEs, though this would need to acknowledge the philosophical presumptions of qualitative research, as suggested above and elaborated in Chapter 5.

1.7 The structure of the thesis

This final section of the introductory chapter now offers a diagrammatic overview of the chapter structure of the thesis, followed by a brief introduction to the chapters.

Fig. 1.1: Map of the thesis



In short, **Chapter One** has introduced the study, highlighting the anticipated issues and clarifying the research question and its justification. Thereafter **Chapter Two** offers a substantive background about the country and the industry context. It provides perspectives that play an important role in placing the rest of the study in a proper context. **Chapter Three** proceeds to examine extant literatures, to identify the research gap that informs the research question and to advance some theoretical precursor propositions that assist the operationalization of the research instrument.

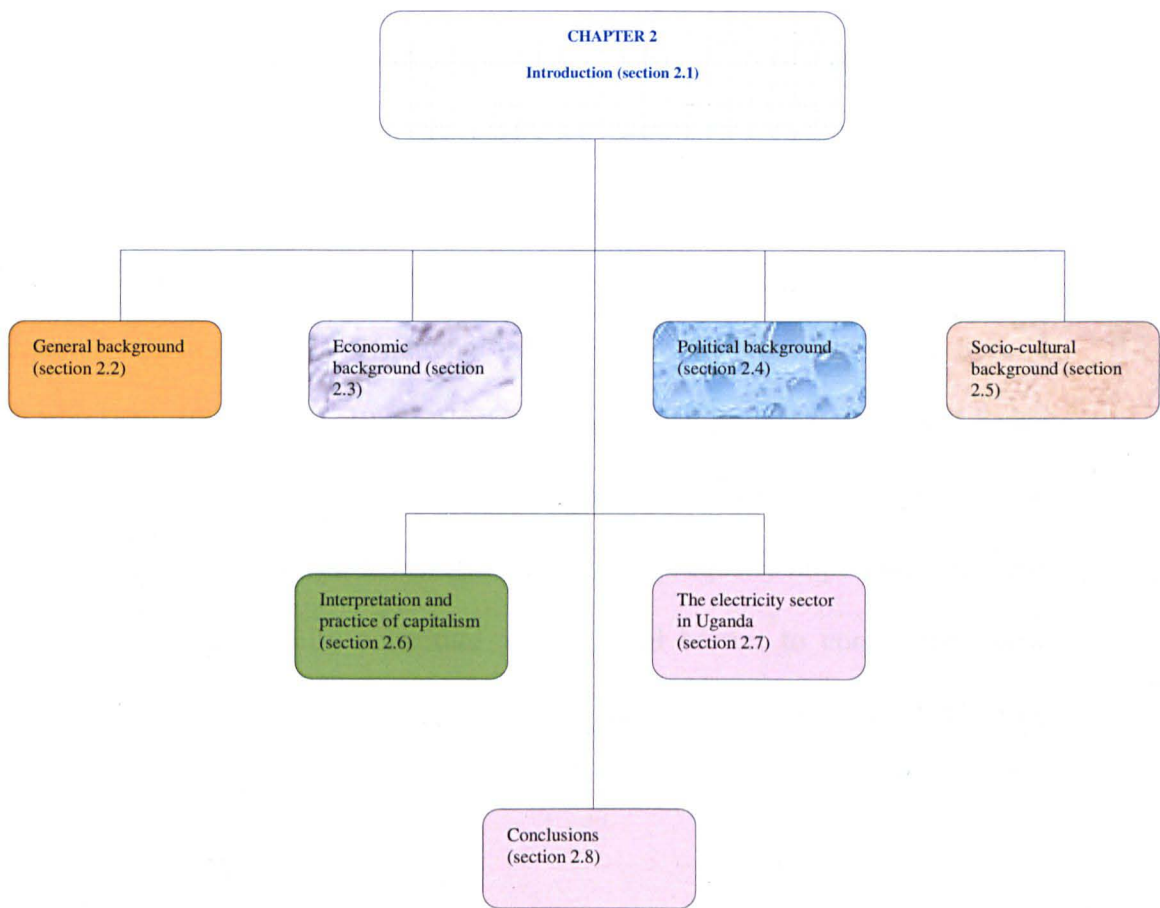
Chapter Four then addresses the methods and the methodology of the research, both from a philosophical and a practical perspective, and crafts a specific research design for the study. It extensively explains the research strategy and its implementation. This then translates into a documentation of the findings of the study in **Chapter Five**, reflecting the scale, the scope and the richness of the qualitative data that informs the research. These findings are consequently interpreted and discussed in **Chapter Six**, extensively deconstructing the experience of the four MNE cases/projects and consequently advancing nine empirically-based propositions. These propositions constitute the basis for the new theory advanced in the study. **Chapter Seven** concludes the study, highlighting the key contributions to knowledge, clarifying how the research objectives in Chapter One have been met, explaining the limitations of the study, suggesting future research and making recommendations, especially from a policy and an MNE strategic perspective. Finally, a list of references and a compilation of appendices are respectively presented at the end.

2 Background

2.1 Introduction

This chapter offers a background to the study. It explains Uganda as the country context for the research, highlighting key issues that place the study in a broader context. The map below offers an overview of the chapter.

Fig. 2.1: Map of Chapter 2



2.2 General background

Uganda has been at the forefront of formulating and implementing political and pro-market reform programs in Sub-Saharan Africa over the last two decades (Dicklitch, 1995; Robinson, 2007; Kuteesa et al., 2010; World Bank, 2012b). Having performed fairly well in the first decade after gaining independence from Great Britain in 1962 (Mudoola, 1992), sustained progress was unfortunately damaged by the military coup that brought Idi Amin to power in 1971 (Shaw, 1973; Asiimwe, 2013).

Historically, the country inherited formal institutions that had been conceived by the former colonial master. From education to health to the civil service and right through financial services and the judiciary, the common denominator was replicating the way things were done in Britain (Tabaro, 2009; Jones, 2012). In some ways, it could be argued that this was a blessing in disguise, since Britain played an important foundational role in shaping international institutions in the aftermath of the Second World War (Fry, 1988; Odell, 1988). Former colonies and protectorates would hence be expected to be in an advantageous position through their integration into a new global community of sovereign states. However, in some equally important ways, this background would eventually constitute a substantial barrier to constructing new institutions that were more socially-embedded and strategically tuned to each country's unique situation.

Uganda's path to pro-market reform was based on a strategic decision by the government to fully or partially privatise hundreds of enterprises that were up to then state-owned, from the early 1990s onwards, and to open up to FDI. A key outcome has not only been the entry of MNEs, but also the strengthening of the competitiveness of local firms. The combined effect of this development has been an

intensification of business-government relationships to unprecedented levels. A central consideration in this regard therefore is to understand how diverse enterprises are increasingly developing political strategies to favourably influence government policy (Hillman and Hitt, 1999; Hillman et al., 2004; Lawton et al., 2014). Whilst it is not necessarily a new phenomenon, its intensity and sophistication has been increasing with the ever-expanding economy and the integration into the global market environment.

In extending corporate political strategic inquiry beyond the more advanced Western countries, extant research has on the whole almost exclusively addressed the largest and most developed emerging and transition economies, neglecting smaller emerging and developing countries (Luo, 2001a; Narula and Dunning, 2010; Webb et al., 2010). Sub-Saharan Africa (SSA) in particular has attracted comparatively little research of international remit. Given the rate of socio-economic and political change in the region and its growing attractiveness for FDI (Economist, 2006; Boojihawon, 2008; Kaplinsky and Morris, 2009; Carson, 2012; UNCTAD, 2011, 2014), there is a need to investigate the corporate political strategic reality of MNEs that are driving this FDI. In its currently recognised capacity as a 'New Frontier' of FDI activity (e.g. Raman, 2009), Sub-Saharan Africa is a rich context for such research.

2.3 Economic background

Uganda is a small East African country with a population of 35 million.⁵ It has been aiming to become the region's preferred destination for FDI.⁶ In spite of a few

⁵ <http://www.monitor.co.ug/News/National/Uganda-hits-35-million-people/-/688334/2526868/-/23i81j/-/index.html>

⁶ <http://allafrica.com/stories/201304152094.html>

setbacks in recent years, its economy has been growing strongly, with GDP growth rates (see Fig. 2.2 below) rarely below 5%⁷.

Fig. 2.2: GDP growth trends in Uganda's economy

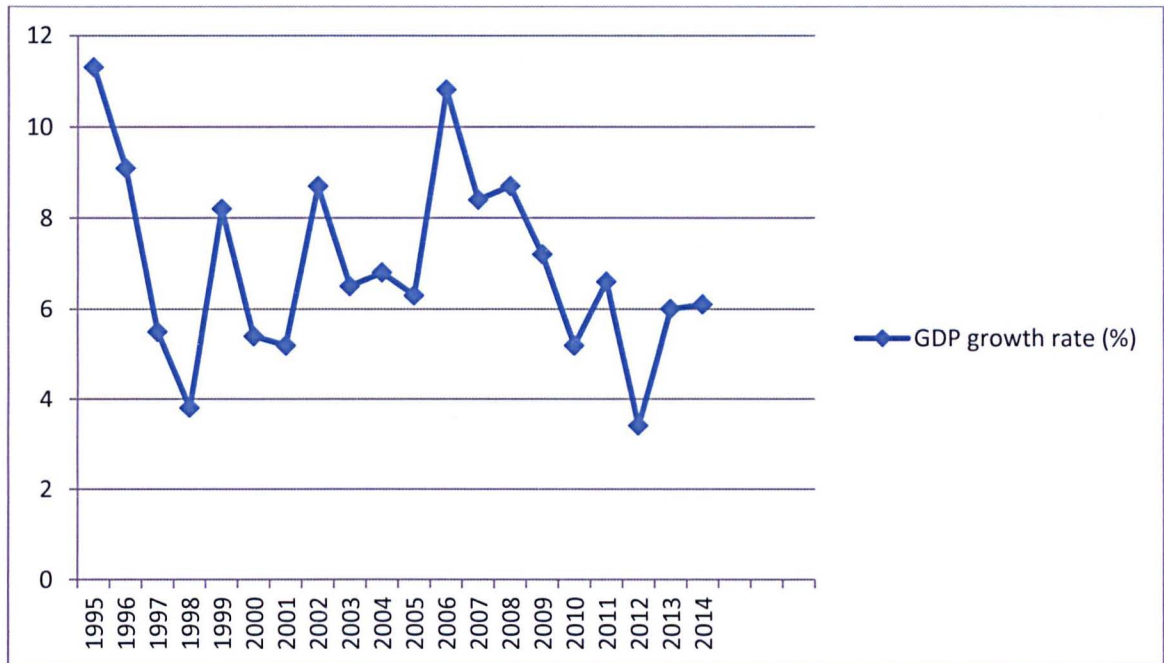
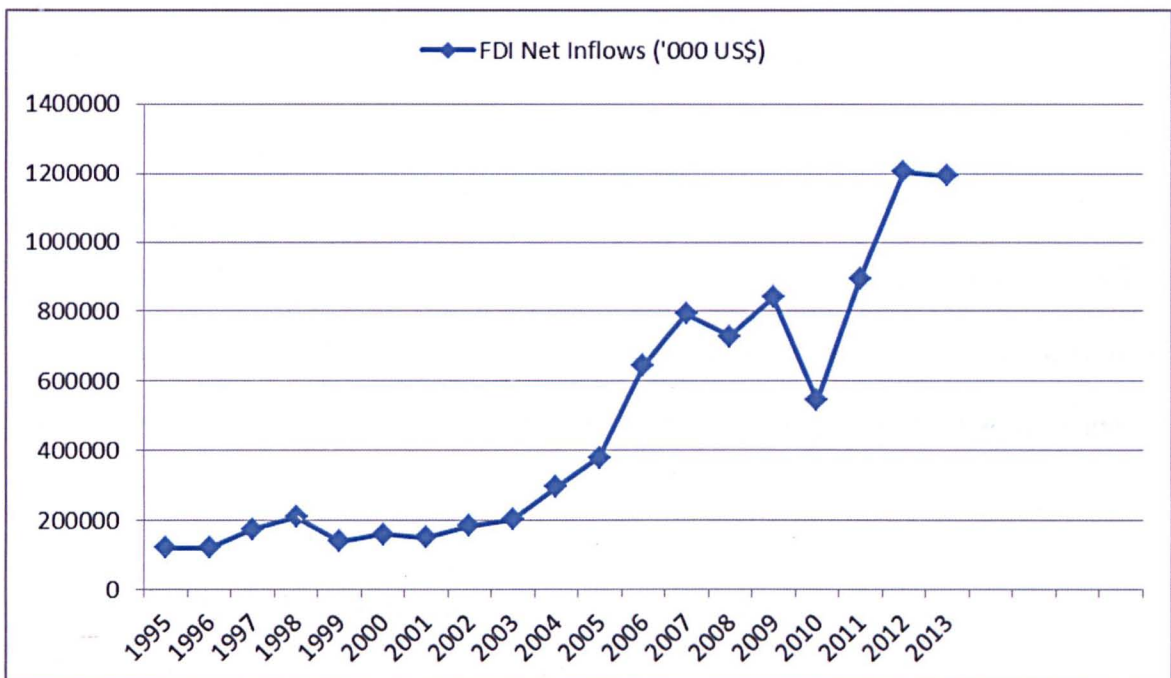


Fig. 2.3: FDI Net Inflows in Uganda's economy



⁷ <https://knoema.com/atlas/Uganda/GDP-growth>

Performance in the past has been attributed to prudent macroeconomic management, relative political stability and substantial structural reform, Uganda having been one of the first countries in SSA to embark on substantive liberalisation and pro-market reforms⁸ (World Bank, 2012b). Difficulties in recent times have been linked to exogenous effects, including a secondary fall-out from the global economic crisis of 2008, the effect of drought and slumps in commodity prices. The general growth in FDI (see Fig. 2.3 above) also indicates that more MNEs have been entering Uganda. Similarly, more local firms have been started and existing ones expanded.⁹

Of particular importance in this research are aspects of FDI in the strategically important electricity industry. More broadly, there is hope that the emerging oil and gas sector will substantially boost both industrial activity and the services surrounding it (Tumwesigye et al., 2012), as part of a broader energy industry-oriented revitalisation of Uganda's economy. Increasingly, there is also the prospect of the country becoming a locus of economic activity in the Great Lakes region by virtue of its strategic geographic positioning, comparatively high education standards and relative political stability. Already, it is the biggest trading partner for Rwanda, Eastern Congo, Southern Sudan and Kenya (Ministry of Trade, Industry and Commerce, Uganda, 2012). This suggests that corporate political experiences in Uganda and their institutional ramifications might have implications for the wider region.

2.4 Political background

Following independence from Britain in 1962, Uganda experienced a decade of relative political and economic stability (Mudoola, 1992). In 1971, however, a

⁸ <http://www.freit.org/WorkingPapers/Papers/Development/FREIT437.pdf>

⁹ <http://www.gemeconsortium.org/docs/download/644>

military coup initiated a period of deterioration into a failed state (Mutibwa, 1992; Himbara and Sultan, 1995). Political and economic turmoil continued after the overthrow of Amin's military regime in 1979, compounded by a disputed election in 1980 that sparked civil war. When the National Resistance Movement (NRM), led by the current President Yoweri Museveni, took power in 1986 in another coup, it fortunately brought about a period of sustained relative economic and political renewal (Brett, 1994). During the first decade of NRM rule, the government focussed on restructuring the economy through pro-market reforms and increasing the legitimacy of government institutions through political liberalization. However, challenges like the protracted insurgency in the north of the country led to serious setbacks (Asowa-Okwe, 1999).

One of the most important features of politics in Uganda, and one which has substantial implications for the development of key institutional structures, is a caustic relationship between the executive and the legislative arms of the government (Himbara and Sultan, 1995; Robinson, 2007; Azevedo-Harman, 2011). The practical implication of this reality is shown in the contention by Holburn and Vanden Bergh (2002) that the specific contingencies of a country and an issue will ultimately determine the focus of an MNE (regarding statutory, regulatory or adjudicating institutions or combinations of these).

More specifically, the political environment that shaped reform in Uganda's electricity industry was characterised by three core political and socio-economic factors: i) the realization that growth in the demand for electricity was substantially outstripping supply, ii) the state-owned utility's extensive inefficiencies leading a

former World Bank country manager to declare that 'UEB¹⁰ was 'dysfunctional' and 'unreformable', and finally iii) the realisation that the government could no longer afford to subsidise the sector if it wanted to be able to release resources for other development work (Karekezi and Kimani, 2002; Gore, 2009; Mawejje et al., 2012). It was in the context of these factors that the options for reform were debated. In a departure from a consensus between government and donors in the early 1990s that the state-owned utility needed to be 'retained', albeit with structural changes to increase efficiency, the late 1990s witnessed massive pressure on the government to relinquish the sector completely. And hence the scene was set to pass the Electricity Act of 1999, which introduced wide-ranging pro-market reforms.

2.5 Socio-cultural background

Similar to most Sub-Saharan African countries, Uganda is an ethnically diverse society consisting of over forty tribes (Marjoke, 2012). Whereas the country has generally benefitted from this diversity, some of its most historic challenges can conversely be traced back to this socio-cultural profile. Perhaps the most notable of these challenges has been the tendency by some political actors to exploit the situation for short-term gain by deploying political strategies that feed on ethnicity. However this tendency can in turn be traced back to a reckless 'divide and rule' policy that was pursued by the former colonial master in order to maintain control over the protectorate (Nabudere, 2009).

Another important socio-cultural reality is the predominance of informal, network-based rather than formal, rules-based approaches to performing economic transactions

¹⁰ Uganda Electricity Board

and ordering behaviour. This has also had implications for how institutions have developed, resulting in a rich mix of formal and informal elements. While local firms have in general related comfortably to this institutional reality, AMNEs have understandably experienced some adaptive difficulties. With an ever-growing inflow of FDI (see Fig. 2.3 above), this mixed institutional reality has assumed substantial importance as a determinant of emerging corporate political strategy (Cuervo-Cazurra and Genc, 2008; Stal and Cuervo-Cazurra, 2011). It is a perspective that therefore also informs aspects of this research.

2.6 The interpretation and the practice of capitalism in Uganda

In the aftermath of the end of the Cold War Uganda, like many other African countries, has been struggling to define the version of the free market economy and market capitalism that best suits it. Prior to this, the country had experimented with a moderate form of socialism in the late 1960s when the Uganda People's Congress¹¹ under Milton Obote introduced what it called the Common Man's Charter (Mazrui, 1970; Gershenberg, 1972). The charter practically translated into an increase in the nationalisation of economic assets that were deemed to be of national, strategic importance. This 'move to the left', however, contradicted key premises of culturally-rooted thinking and belief in the multi-ethnic society, and was particularly opposed in the central regions where the most entrepreneurial sections of society were located. Here the move was also interpreted as an attempt to weaken the highly loved Kabaka (King) of Buganda. The intervention of General Idi Amin in a military coup in 1971 then terminated the whole experiment.

The most important economic decision that the dictator made was the expulsion of Asians from the country and the expropriation of key companies and assets that they

¹¹ This was the predominant political party in the first decade after independence

owned (Mamdani, 1993). Given that the economy had been till then predicated on this section of society, the event inevitably had far-reaching consequences for the country. In the difficult years that followed, a new type of Ugandan entrepreneur was born. Local Ugandans learnt entrepreneurship and grassroots capitalism as a means of survival under the dictatorship. The most successful local entrepreneurs and capitalists were those who were fortunate enough to be allocated departed Asian assets by Amin, and who were increasingly called *mafuta mingi*¹² (literally meaning much 'fat'). While these favoured ones operated at the top of the new economic order, there were thousands of other Ugandans who were not allocated anything, but nevertheless learnt how to apply business acumen. However, the dramatic collapse of the economy over the years forced many to engage in illegal activities called *magendo* - a term for a thriving parallel economy for the basics of life like soap, sugar, salt and oil.

It is interesting to note that the nationalisation of assets that had been engineered under Milton Obote was not reversed under Amin. In fact, it was strengthened. So the *parastatals* or state-owned enterprises (Kuteesa et al., 2010; Kalyegira, 2011) that had been created as a special form of firm in which the state had the decisive say were sustained. While they suffered under mismanagement, corruption and the dictatorial interference of the state, they ironically somehow prevented the country from coming to a complete standstill. Enterprises like the Coffee Marketing Board, the Lint Marketing Board and the Uganda Electricity Board were hence critically important in an otherwise collapsed economy. The impact of these enterprises continued for some time, even after Amin was deposed, until pro-market reforms started being implemented in 1991/2. These enterprises in fact practised very early

¹² <http://www.monitor.co.ug/Magazines/PeoplePower/How-Uganda-s-wealth-has-changed-hands-since-1962/-/689844/2348500/-/1c2g3cz/-/index.html>

forms of CPA and reflected a form of state capitalism that characterised Uganda for a long time.

The years after the removal of Idi Amin (1979-1985) were generally defined by disorientation under the rapidly changing governments which made contradictory proposals on how to revive the economy. The end result was a fluid mixed economy without a solid foundation. However, the locally-born entrepreneurship that emerged during Amin's regime found new and more vibrant expression, thereby becoming more refined as the country opened up again. But it was after the seizure of power by Museveni and his National Resistance Army in January 1986 that a new trajectory became visible (Tripp, 2004, 2010). The two and a half decades that followed witnessed some of the deepest pro-market reforms in Sub-Saharan Africa, driven by the World Bank and Western donor countries (Kuteesa et al., 2010; Kalyegira, 2011). The privatisation of formerly state-owned entities and the inflow of FDI reached historic dimensions (World Bank, 2012a). Simultaneously, the understanding of capitalism and the free market economy that had emerged under extreme conditions now underwent a rebirth. This time the previously deposed Asians were also allowed to return and repossess their property. It was however a much more level playing ground, since local Ugandans could now entrepreneurially and strategically compete.

Indicating the extent of the rebirth, Uganda has been ranked by the Global Entrepreneurship Monitor as having one of the highest levels of entrepreneurship and business activity in the world.¹³ But the path to this recognition has been a hard one, and there are still formidable challenges in refining the quality of the free market economy. For one, too many privatisation projects spearheaded by the World Bank

¹³ <http://www.gemconsortium.org/docs/3363/gem-uganda-insights-for-policy>

have not worked. While there have been some substantial successes, these have been overshadowed by the failures (Kalyegira, 2011), so much so that the Ugandan government recently suspended all privatisation until further notice.¹⁴ Fundamental to the failures appears to be the seeming inability of World Bank economists and bureaucrats to properly understand the implications of their reform recipes to the recipient nations (Herbst, 1990).

Further, a new type of capitalist has emerged in Uganda. These are highly connected individuals that are close to the ruling party and the elite families. Very often they have colluded with World Bank and development aid officials to accelerate reform projects for personal gain, without the requisite long-term strategic thinking. It has in fact become almost impossible to carry out a fairly large investment in Uganda without a stake from these highly connected individuals. While the observations about the type of connected capitalism that thrived under the Suharto regime in Indonesia cannot be directly compared to what is happening in Uganda, given the excesses evident in that case, there might be room for some commonalities (Dieleman and Boddewyn, 2012). The result ultimately has been a significantly skewed reform and privatisation endeavour, which has naturally led to underperformance in recent years. Uganda's experience with pro-market reforms in recent years has therefore been marred by this manifestation of corruption and abuse of public position. It remains to be seen whether the government will manage to change the experience for the better.

It is under these broad circumstances that Uganda's electricity industry was reformed and private investors were allowed to participate.

¹⁴ <http://www.monitor.co.ug/Business/Prosper/Why-museveni-has-made-a-u-turn-on-privatisation/-/688616/2670492/-/8rol3v/-/index.html>

2.7 The electricity sector in Uganda

Uganda's electricity industry forms the specific sector context for this research. This final subsection of the background chapter provides a synopsis of key issues underpinning this industry in Uganda, many of which will be drawn upon in the research.

While Uganda has been one of the few modestly durable success stories of pro-market reform in Africa in recent decades, its continued economic prosperity requires sustaining macroeconomic stability, backed up by boosting economic productivity. A key issue to tackle is the high rate of growth in demand for a stable power supply that is accompanying the rapid growth and expansion of the economy (Mawejje et al., 2012; Tumwesigye et al., 2012). Addressing power supply has been complicated by sinking levels of water in Lake Victoria, which is the country's main reservoir for the hydropower-oriented system.¹⁵ Levels sunk so much in 2005/2006 that unprecedented limitations were imposed on how much water could be used for power generation, leading to massive power outages. This translated into a power release management practice called 'loadshedding' which meant no power for as many as 12-16 hours on end. Ultimately, the Ugandan government was forced to resort to subsidies for the highly expensive thermal-based power generation to ease the crisis. It is estimated that the country was spending an average of US\$110 million per annum on subsidies at the height of the crisis.¹⁶

Uganda's electricity sector is regulated under the Electricity Act of 1999, which replaced the Electricity Act of 1964 (Engurait, 2005; Keating, 2009). At the time of

¹⁵ http://www.eac.int/energy/index.php?option=com_docman&task=doc_download&gid=62&Itemid=70

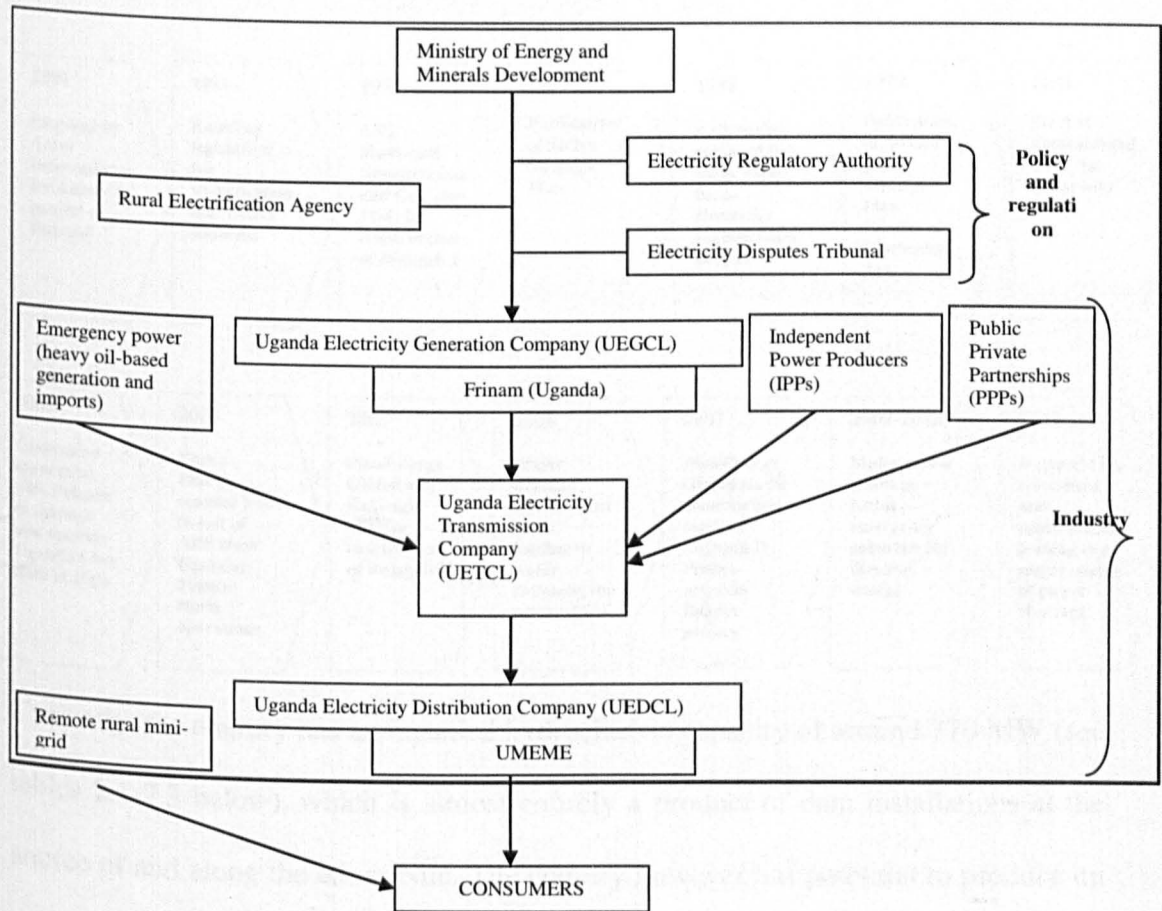
¹⁶ <http://www.sitheglobal.com/projects/bujagali.cfm>

implementation, this was the most extensive power sector reform ever undertaken on the African continent. To an extent, there was some inspiration from the former colonial master which had become the global leader in the privatisation of the utilities sector a decade earlier (Ghobadian and Viney, 2002). Under the new act, the Uganda Electricity Board (UEB), which had been formed during the colonial era in 1948 (Elkan and Wilson, 1967) and had enjoyed an unquestioned and vertically integrated monopoly status, was unbundled into three separate, government-owned entities (see Fig. 2.4 below) as outlined below:

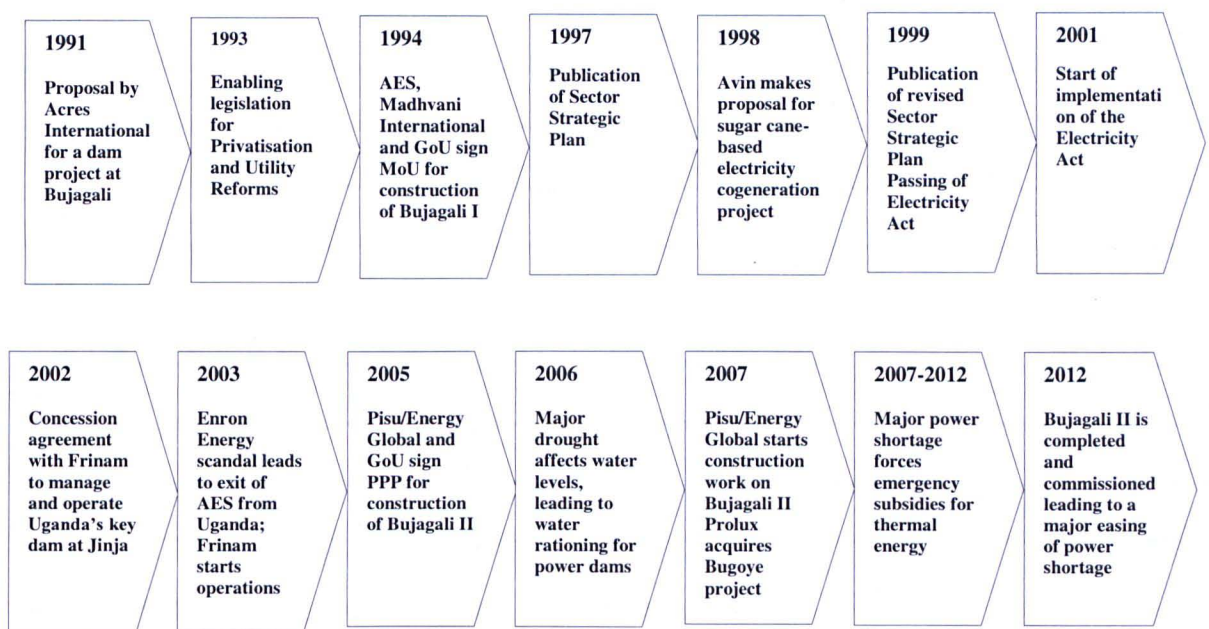
- i) Uganda Electricity **Generation** Company Limited (UEGCL),
- ii) Uganda Electricity **Transmission** Company Limited (UETCL) and
- iii) Uganda Electricity **Distribution** Company Limited (UEDCL).

Concessions were also given to private companies to perform generation and distribution as part of private public partnerships with the newly-created, government-owned entities. There was also the option to enter the market as an Independent Power Producer (IPP). Further, a new entity, the Electricity Regulation Authority (ERA), was formed as an independent regulator under the policy guidance of The Ministry of Energy and Mineral Development (MEMD). Not least, a Rural Electrification Agency (REA) was also formed, to focus on pushing for the increased electrification of rural areas.¹⁷

¹⁷ Uganda is cited to have the lowest rural electrification rate in SSA, at only 6%. The national average rate is only 15%, compared to an SSA average of 30% (Businge, 2014; World Bank, 2014).

Fig. 2.4: An overview of Uganda's electricity sector

The sector can be considered strategic by virtue of multiple impacts on many other sectors in the economy, significant contribution to the national revenue profile and the potential to help alleviate poverty, especially in rural areas where the majority of the population still resides (Tumwesigye et al., 2012; Haanyika, 2006; Engurait, 2005). Access to electricity in rural areas is estimated at an alarming 6%, while the national rate is only 15%, which is far below Sub-Saharan Africa's average of 30% (Businge, 2014; World Bank, 2014).

Fig. 2.5: Key milestones in the reform of Uganda's electricity industry

Currently, the country has an installed hydroelectric capacity of around 770 MW (see tables 2.1-2.3 below), which is almost entirely a product of dam installations at the source of and along the River Nile. The country however has potential to produce up to 2000MW of hydroelectric power, with further installations along the Nile (Tumwesigye et al., 2012).

Table 2.1: Large hydropower installations in Uganda (at least 100 MW)

Project	Installed Capacity (MW)
<i>Operating</i>	
Nalubaale & Kiira Complex	380 (180 + 200)
Bujagali	250
<i>Planned or under construction</i>	
Karuma	600
Isimba	188

Source: Electricity Regulatory Authority, Uganda, 2013; Kasaijja, 2015

Table 2.2: Small to medium hydropower installations in Uganda (up to 100 MW)

Project	Installed Capacity (MW)
Bugoye	13
Mobuku 3	10
Mobuku 1	5.4
Mpanga	18
Ishasha	6.6
Buseruka	9
Kilembe	9
Nyagak	3.5

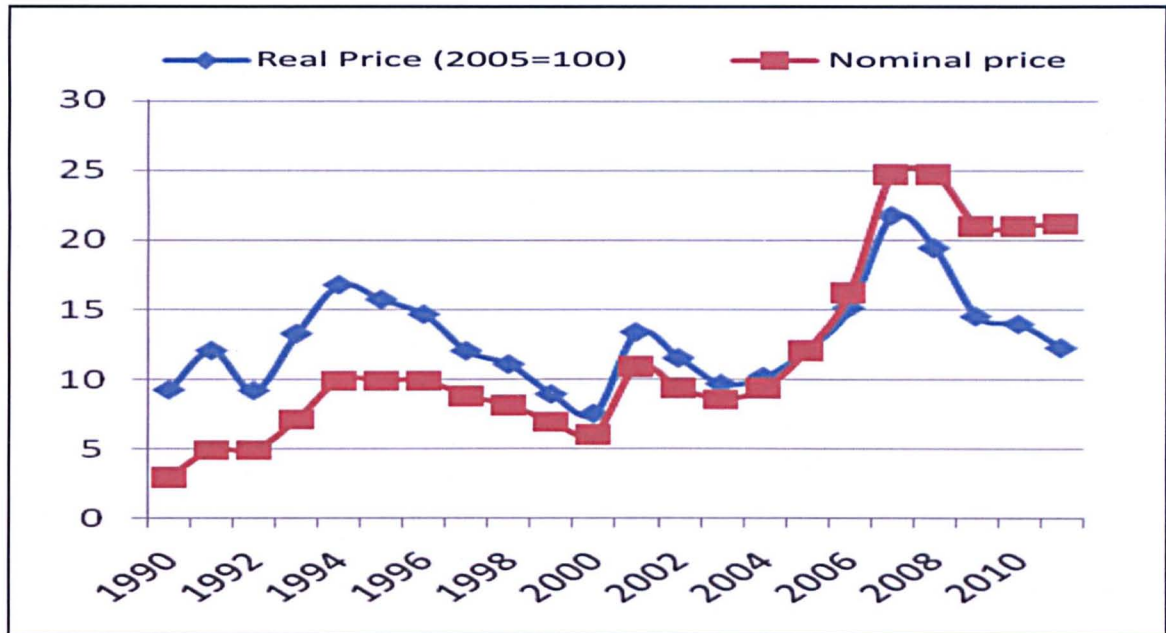
Source: Electricity Regulatory Authority, Uganda, 2013; Kasaiija, 2015

Table 2.3: Bagasse-based electricity cogeneration

Project	Cogeneration Capacity (MW)
Kakira Sugar Limited	51
Kinyara Sugar Limited	7.5 (due for upgrade to 40)
Kaliro Sugar and Allied Industries	11.9

Source: Electricity Regulatory Authority, Uganda, 2013; Kasaiija, 2015

There have been major challenges following regulatory reform in 1999, however, not least as reflected in a near quadrupling of the average power tariff from Ugandan Shillings 100 per KWh just before reform to the average of Ugandan Shillings 385 per KWh in 2011 (See Fig. 2.6 below), effectively one of the most expensive power tariffs in the region, as evident in Tumwesigye et al.'s report and illustrated in table 2.4 below.

Fig. 2.6: Trends in the cost of electricity for the final consumer in Uganda.

Source: Economic Policy Research Centre/Electricity Regulatory Authority, Uganda

Table 2.4: Tariffs in Uganda's electricity industry in comparison with other Sub-Saharan African countries (US\$/Kwh)

	Domestic	Commercial	Medium industry	Large industry	Street Lighting
Uganda	0.212	0.198	0.186	0.127	0.198
Kenya	0.215	0.225	0.187	0.175	0.208
Tanzania	0.205	0.165	0.099	0.088	0.136
Rwanda	0.186	0.186	0.174	0.174	0.186

Source: Electricity Regulatory Authority/Economic Policy Research Centre, Uganda. Tariff status on the 12th January 2012

The research interrogates the key issues surrounding CPA in the sector and their shaping impact on emerging institutions. CPA is approached as a manifestation of nonmarket strategic behaviour by firms seeking to influence policy and regulatory outcomes to their own advantage.

2.8 Conclusion

In conclusion, this section has synthesised and examined several issues that provide a holistic background to the research on CPA and its institutional implications for Uganda's liberalised electricity industry. Political, historic, economic, socio-cultural and developmental considerations constituted the backbone of the synopsis, providing a broader context in which to perform the study. There was also a review of the status of the electricity industry, highlighting key events and issues that inform the research. At a much broader level, the chapter points to important elements of an emerging interpretation of market capitalism in Africa. The thesis indicates that the configuration that CPA is taking is effectively one of the most important shapers of this development in recent times.

3 Literature review

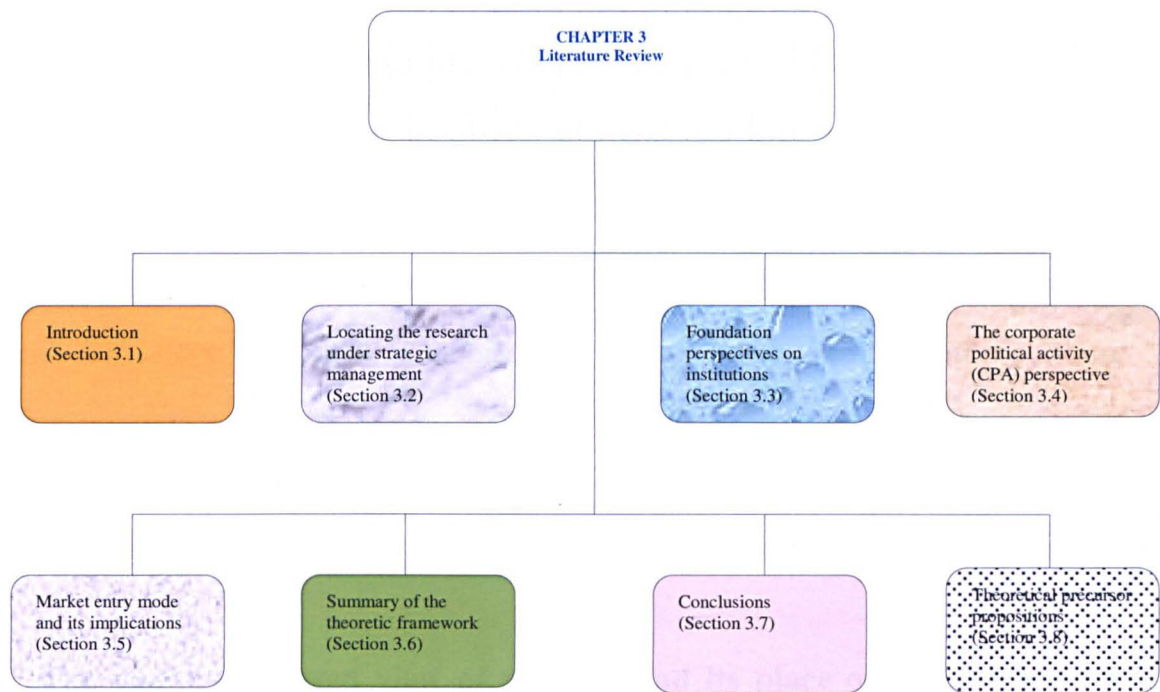
3.1 Introduction

This literature review synthesises extant research that lays the theoretical and conceptual foundation for the investigation into corporate political activity (CPA), and gives preliminary views on its institutional implications for Uganda's electricity industry. In the process, it also identifies gaps in extant literature, some of which in turn inform the research question.

The review is structured as follows:

There is a perspective on the location of the research under strategic management in **section 3.2**. This is followed by foundational perspectives on institutions and institutional theory in **section 3.3**, thus providing the broader institutional context for reviewing CPA literatures in **section 3.4**. **Section 3.5** then synthesises the theory surrounding MNE market entry choices, thus providing the broader context for examining market embeddedness as the core of the study. All this then informs the construction of the theoretic framework in **section 3.6**, which is followed by conclusions in **section 3.7**. Finally, **section 3.8** presents the theoretical precursor propositions that inform data collection. The review is further illustrated by the chapter map below.

Fig. 3.1: Map of Chapter 3



3.2 Locating the research under strategic management

From an academic disciplinary perspective, the research is predominantly located under the relatively young 'Strategic Management' discipline (Ingram and Silverman, 2002; Peng, 2003; Segal-Horn, 2004; Peng et al., 2009), differentiating it from the more traditional economic (Williamson, 1985; North, 1991), sociological (Meyer and Rowan, 1977; Zucker, 1977; DiMaggio and Powell, 1983, 1991; Scott, 1995) and political scientific (Krasner, 1983, 1988; Moe, 1990) traditions. Nevertheless, substantive conceptual overlaps make it pertinent to draw on these more traditional disciplines, thereby contributing toward strengthening the interdisciplinary conversation.

3.2.1 The institution-based view of strategy and its place on a strategy tripod

The paradigmatic shifts in the social sciences over the past few decades, particularly as new institutionalism (Meyer and Rowan, 1977; DiMaggio and Powell, 1983; Williamson, 1985; DiMaggio and Powell, 1991; Scott, 1995), have also had implications for the strategic management discipline (Ingram and Silverman, 2002, pp.1-30). Fundamental to this rethinking is the realisation that institutions are not just peripherally important, but are actually a central consideration in determining the strategy of organisations, both from a market and a nonmarket perspective (Hoskisson et al., 2000; Ingram and Silverman, 2002; Wright et al., 2005; Peng et al., 2009; Baines and Viney, 2010; Kim et al., 2010; Doh et al., 2012). In turn, this thinking has inspired a strand of research increasingly referred to as the institution-based view of strategic management (Wan and Hoskisson, 2003; Peng et al., 2008; 2009; Meyer et al., 2009).

The institution-based view of strategy is now increasingly considered to be the third leg on a tripod (Ingram and Silverman, 2002; Peng et al., 2009; Kim et al., 2010; Jiménez, 2011), one which also contains the industry-based view (Porter, 1980; 1985) and the resource-based view (Prahalad and Hamel, 1990; Collis, 1991; Barney, 1991; Agarwal and Ramaswami, 1992; Peteraf, 2006). The former was particularly influential in the 1980s and the latter predominated from the 1990s onwards. These two other interpretations of strategy have however been criticised for weaknesses in explicitly addressing the context of organisations (Priem and Butler, 2001; Narayanan and Fahey, 2005). They also offer rather vague explanations about the nonmarket behaviour of firms, and how it can be aligned with the predominantly market-oriented traditional interpretations (Baron, 1995a; Kingsley et al., 2012; McGuire et al., 2012; Lawton et al., 2014).

On the whole, proponents of the institution-based view argue that it should be approached as a complement rather than a substitute to the other two leading interpretations. However, there is also a potential challenge in investigating institutions at multiple levels, i.e. firm, industry and country levels (Chacar et al., 2010; Kim et al., 2010; Brouthers, 2013). The predominant focus in this research though is the firm level and how things have evolved in corporate political terms, including the impact on emerging institutionalisation. Perspectives from the resource-based view of strategy are very instructive, especially when exploring how to apply the 'political resources and capabilities' domain of CPA literatures (Lawton et al., 2013a) to the study – see section 3.4.

The institution-based view is, not least, lauded by some researchers for introducing a 'thick' description of context into the conversation, including the more fluid socio-

cultural perspectives (Geertz, 1973; Leung et al., 2005; Redding, 2005). This acknowledgement agrees with Scott's (2004) contention that the cognitive-cultural dimension of his three-pillared (regulatory, normative and cognitive-cultural pillars) institutional framework is actually the most important one, with implications for how the other two pillars manifest themselves. As an example, it can illuminate how MNEs might pursue nonmarket strategies that entail a proactive stimulation of policies aimed at improving local political and economic infrastructure (Bonardi et al., 2005; Valente and Crane, 2010). Such a strategy is also believed to entail an active encouragement of the cultivation of cognitive frames, ideas, values and norms that favour a more effective and efficient public institutional constellation (Peng, 2003). This is however contestable, as views on effectiveness and efficiency might differ depending on cultural context. It is also not always strategically advisable to be politically proactive, particularly in authoritarian and weakly institutionalised countries (De Villa, 2014).

This nonmarket strategy perspective will now be more succinctly introduced in the following subsection, prior to substantiation under the CPA perspective in section 3.4.

3.2.2 The nonmarket strategic perspective

A particularly important emerging strand of management research is what is increasingly referred to as Non-Market Strategy (NMS). Researchers here attempt to explore the plethora of issues that have important ramifications for organisations yet are not explicitly addressed by the traditional market-based approach to strategy

(Baron, 1995b; Hillman and Hitt, 1999; Holburn and Vanden Bergh, 2002; Hillman et al., 2004; Bonardi et al., 2005; Doh et al., 2012; Lawton et al., 2014).

According to Baron (1995b), the nonmarket environment consists of the social, the political and the legal arrangements that structure interactions among companies and their public. Doh et al. (2012) propose a conceptual framework founded on three institutional perspectives (new institutional economics, neo-institutional perspective and national business systems) on the one hand, and three strategy perspectives (industrial organisation, the network perspective and the resource-based view) on the other hand, to synthesise and integrate nonmarket research to date. The framework in effect produces nine clusters under which Doh et al. try to structure extant research.

In summary, the research is located under the emerging nonmarket strand of strategic management, at the interface between the institution-based view of strategy and the resource-based view. The interpretations of these two schools of thought within the CPA research domain, which constitutes the focus of this research, are substantiated in section 3.4. The next subsections now dig deeper into the NMS perspective, particularly its institutional dimensions.

3.3 Foundational perspectives on institutions

This section now examines some broader institutional perspectives, thus strengthening the theoretic background to the research. An important consideration is the need for research that shifts the discourse away from a preoccupation with institutional ‘voids’ (Khanna and Palepu, 2000, 1997; Khanna et al., 2005) in emerging markets toward a stronger acknowledgment of empirically verifiable progress being made (Cuervo-Cazurra and Genc, 2008; Cuervo-Cazurra, 2008; Stal

and Cuervo-Cazurra, 2011; Hennart, 2012; Lawton et al., 2013a; Luiz and Ruplal, 2013; Zhao et al., 2013). Further, the juxtaposition of institutional theory onto strategic management theory can only be effective and solidly grounded if there has been a prior in-depth understanding of institutions and their behavioural characteristics (North, 1990; 1991; DiMaggio and Powell, 1991; Scott, 1991; Scott, 1995; Kim et al., 2010).

3.3.1 Definitional and typological perspectives of institutions

This subsection evaluates and summarises some of the debates surrounding what institutions are, how they matter and why. As a consequence, the understanding of 'institutions' in this research is clarified.

The view that institutions are 'The rules of the game' (North, 1990; Scott, 1995; Davis et al., 2000; Peng, 2003; Wright et al., 2005) appears to have become widely accepted. This is often translated to mean 'taken-for-granted' practices, with an implicit presumption that when something starts being taken for granted it has henceforth attained full institutionalisation (DiMaggio and Powell, 1991; Tolbert et al., 1996). Things are however substantially more complex since the reality actually reflects levels of institutionalisation (DiMaggio and Powell, 1991, pp.151-2), making 'full institutionalisation' hypothetical. The rules of the game in Uganda's electricity industry have understandably undergone many changes since the original regulatory body (Uganda Electricity Board, UEB) was commissioned under British colonial rule in 1948 (Elkan and Wilson, 1967). The research here, however, is primarily interested in developments since the passing of the new Electricity Act in 1999 (Uganda Parliament, 1999).

Further, the economist North (1990, p.3) contends that institutions are 'the humanly devised constraints that structure human interaction' while the sociologist Scott (1995, p.33) proposes that they are the 'regulative, normative, and cognitive structures and activities that provide stability and meaning to social behaviour'. The latter two definitions have exerted substantial influence in the economics and sociology sub-disciplines respectively, but have also spilt over into newer disciplines like strategic management.

However in subsequent work Scott (2004) appears to attach more importance to the cognitive-cultural pillar than the other two pillars. The pillar in essence suggests that the broader environment in which institutions are embedded affects how they operate and the quality of formulation, legitimisation and diffusion of the associated rules (Schneiberg and Soule, 2005; Deephouse and Suchman, 2008). North on the other hand proposes a formal versus informal institutional classification. This classification presumes the understanding of formal institutions as rules that can be readily observed through written documents, or rules that are determined and executed via formal position (Zenger et al., 2002). It further considers informal institutions to be rules based on implicit understanding and, in most part, to be an outcome of socially derived processes. Informal institutions as such include social norms, routines and political processes. As a result, there are limitations to any attempt to formalise these aspects. Several researchers acknowledge that the informal institutional manifestation is disproportionately evident in emerging and developing countries (Khanna and Palepu, 1997, 2000; London and Hart, 2004; Webb et al., 2010). This is traced back to the network- and relationship-based cultures that predominate in these markets, which are generally oriented towards informality (Acquaah, 2007; Singh, 2012).

Having highlighted key definitional and typological perspectives, the review now takes a deeper look at institutionalisation as a process.

3.3.2 Institutionalisation as process

This section aims to synthesise the status of research on institutionalisation as a process and to underline the important role this consideration plays in the research. It particularly highlights the macro versus the micro interpretations of institutionalisation in the debates so far. A key consideration here is that the definitional and typological perspectives summarised above largely approach institutions as an antecedent or an end state, thereby understating the process leading to this state. In other words, there is a preoccupation with the antecedents and the effects of institutionalisation, but not with the process itself (Greenwood et al., 2008, pp.708-9). Scott and Meyer (1994, p.10) contend that institutionalisation is 'the process by which a given set of units and a pattern of activities come to be normatively and cognitively held in place, and practically taken for granted as lawful (whether as a matter of formal law, custom, or knowledge)'.

3.3.2.1 The historical macro-process perspective

In one of the most influential papers on the subject, North (1991) makes a seminal analysis of the evolution of institutions, chiefly using a European historical and socio-cultural context. He comes to the conclusion that institutions 'evolve incrementally, connecting the past with the present and the future; history in consequence is largely a story of institutional evolution in which the historical performance of economies can only be understood as part of a sequential story' (North, 1991, p.97). But given that the historical context of Europe can hardly be equated with that of emerging countries, the premises of some of North's conclusions become contestable. Things

become further complicated by the fact that many of these European countries have in the past imposed institutions on their former colonies, thereby disrupting what should otherwise be an organic and socially-embedded process (Donovan, 2002; Jarzabkowski, 2005; Jones, 2012).

The macro-perspective however cannot be fully fathomed without reference to its location in the broader system of national institutions and how they have evolved over time (Leftwich and Sen, 2011). An important consideration here is that Uganda has not enjoyed a consistent, unbroken history of regulatory, policy and broader socio-economic and political institutional development (Mudoola, 1986; Dicklitch, 1995). Instead, it has endured periods of discontinuity as explained in Chapter 2. Since the main reason for this discontinuity has been political conflict, this links up well with aspects of this study that address the response of CPA to political environmental flux like this, effectively accommodating a country's context (North, 1990; Kostova and Zaheer, 1999; Chacar et al., 2010; Brouthers, 2013).

3.3.2.2 The contemporary micro-process perspective

The review henceforth turns to the micro-process perspective. Of central importance here are extant literatures that contend that institutionalisation is a fundamentally political process which translates into its being a function of political power games and patterns (DiMaggio, 1988; Oliver, 1991; Holburn and Vanden Bergh, 2002; Robinson, 2007; Lawton et al., 2014).

Tolbert et al. (1996) identify three basic stages of institutionalisation: pre-institutionalisation, semi-institutionalisation and full institutionalisation of a practice.

Here they propose what they describe as *habituation*, *objectification* and *sedimentation* as specific institutionalising manifestations during these three stages. The framework has the advantage of ease of adaptability to diverse institutional contexts. Scott (1987) conversely identifies seven isomorphic processes (see table 3.1 below), which are linked to the seminal idea that organisations in the same environment tend to become similar in behaviour (DiMaggio and Powell, 1983). This can be further differentiated into coercive, mimetic and normative perspectives. On their part, Greenwood et al. (2002) recognise six stages, based on a study of professional associations in the transformation of institutional fields. Not least, Kim et al. (2010) propose a compact two-stage model of market-oriented institutional change, in which the first stage encapsulates frictions between existing institutional configurations as part of orientation. The second stage then constitutes a convergence and a level of stabilisation.

Table 3.1 – Summary of frameworks of stages of institutionalisation

Tolbert et al.'s basic three-stage framework	Scott's seven-stage isomorphic framework	Greenwood et al.'s six-stage framework	Kim et al.'s two-stage model of Market-Oriented Institutional Change
Pre-institutionalisation (few adopters and little knowledge)	Imposition	Precipitating jolts (social, technological or regulatory events that destabilise change)	The Early Stage of market-oriented institutional change (A period of institutional frictions)
Semi-institutionalisation (fairly diffused, some history and some level of normative work)	Acquisition	Deinstitutionalisation (emergence of new players, ascendance of actors, institutional entrepreneurship)	The Later Stage of Market-Oriented Institutional Change (A period of institutional convergence)
Full-institutionalisation (the practice has 'become taken for granted by members of a social group as efficacious and necessary')	Authorisation	Pre-institutionalisation (independent innovation, technical viability paramount)	
	Inducement	Theorisation (specification of general organisational failing, justification of possible solution, moral and/or pragmatic legitimacy)	
	Incorporation	Diffusion (increasing objectification, pragmatic legitimacy)	
	By-passing and imprinting	Re-institutionalisation (cognitive legitimacy)	
	Identification		

More generally, considerable subjectivity is presumed in deciding that a phase has ended and another started, let alone accommodating some deinstitutionalising effects (Oliver, 1991). Effectively, this introduces an iterative dimension to the process of institutionalisation. The mainstream propositions on stages of institutionalisation also

generally assume broader environmental stability in more advanced countries, something that is contestable in most emerging and developing countries (Peng et al., 2008; Jiménez, 2011).

More critically though, most studies to date have almost exclusively investigated issues around change in institutions that are already largely established and operating under stable country political environments. Things are however more complicated in volatile, political environmental contexts. Kim et al. (2010) further recognise a qualitative difference between emerging markets and caution against generalisation. A key explanation for the complexity in emerging countries stems from diverse interpretations of free market economics in recent decades (Hoskisson et al., 2000; Wright et al., 2005; Leftwich and Sen, 2011). For countries like Uganda that are immersed in massive liberalisation and privatisation programmes (Kasekende and Atingi-Ego, 1999; Basu et al., 2000; IMF, 2003; World Bank, 2012a), and simultaneously experiencing comparatively high levels of economic growth, things are even more complex.

Perspectives from this section inform the broader institutional theoretic context in which to explore corporate political behaviour, specifically strengthening the institutional perspective domain identified by Lawton et al. (2013a) in their CPA domain framework.

The above discussion translates into the following theoretical proposition¹⁸ for this study:

¹⁸ This research takes a particular approach to proposition-making. In short, it is approached as a progression from theoretical precursors to empirically-grounded propositions, with the implication that they might be revised.

Precursor Proposition 1: *If CPA is designed to influence the policy and regulatory outcomes of an industry, then it will reflect the specific demands of the industry's institutionalisation stage.*

Having synthesised some key issues surrounding the macro- and the micro-perspectives of institutionalisation and how they inform the study, the next subsection proceeds to make a more substantive synthesis of research on the aspect of nonmarket strategy, i.e. CPA, which is the focus of this study.

3.4 The corporate political activity (CPA) perspective

This subsection takes a closer look at CPA, building on the introductory consideration of nonmarket strategy in section 3.2.3, and showing that this emerging stream of research has a foundational importance in this study.

Following Hillman and Hitt's (1999) seminal work that also draws on earlier work by Baysinger (1984), CPA is defined as *corporate attempts to influence government policy in ways that are favourable to the firm*.¹⁹ It aims to create and maintain a set of external stakeholder relationships, especially with political and regulatory publics (Getz, 1997). Hence, it emerges as a managerial function of substantial strategic importance. Following the changed global situation, after the collapse of the Soviet Empire, and in light of the emergence of new free market economies that are becoming ever more important for the global economy, it became increasingly imperative to better understand business-government relations in a diversity of institutional contexts (Baron, 1995b; Barron, 2010; Sun et al., 2010a; Lawton et al.,

¹⁹ This definition however is increasingly depicting limitations as a small but growing stream of research, particularly on emerging markets, contends that a proactive search for 'influence' is not always the best approach to CPA strategy. The research here in part addresses this perspective.

2013a). Research in the nonmarket environment, particularly under CPA, hence assumed significant importance.

Whereas there has been considerable progress in understanding the largest and most mature emerging economies (Luo, 2001a, b, 2004; Tian et al., 2007; Sun et al., 2010a; Pei et al., 2012; Lawton et al., 2013a), research has not adequately addressed the wider body of new emerging economies, for instance those in Sub-Saharan Africa. Evidence about CPA in these markets has hence remained largely anecdotal. In many cases, assumptions have been made that advanced or mature emerging country experiences are directly transferable to these countries too, as part of a global convergence of organisational behaviour (Doh et al., 2012; Lawton et al., 2013a). These assumptions are however contestable, not least because there is already some empirical evidence indicating that institutional conditions change according to geographic region, let alone country (Peng, 2003; Meyer et al., 2009; Kim et al., 2010; Brouthers, 2013).

Some critics however argue that this stream of research effectively encourages unethical firm behaviour, including bribery and corruption (e.g. Adly, 2009; Mantere et al., 2009), and a stifling of competition (e.g. Robertson et al., 2008). This might be especially challenging in weakly institutionalised emerging markets undergoing pro-market reform and thus vulnerable to some excesses of firm and political actor behaviour. Many of these countries also have yet to clarify legality versus illegality of firm behaviour under the reform contexts. Further, research to date has prioritised the outcomes of CPA but neglected the processes involved (Hillman and Hitt, 1999; Lawton et al., 2013a). This echoes the observation in the previous subsection that research on institutionalisation has similarly overlooked processes. The outcomes

themselves, however, might need a revision to accommodate a higher vulnerability to the social and environmental impact of MNE behaviour, especially at the bottom of the pyramid (Prahalad, 2006; Munir et al., 2010; Berger et al., 2011; Ansari et al., 2012).

In developing the field, two foundational pieces of work by Hillman et al. (2004) and Lawton et al. (2013a) have made a major evaluative contribution in the past decade. Hillman built on an earlier evaluation he made with Hitt (1999). These evaluative efforts are reviewed below.

3.4.1 Reviewing some leading evaluations of CPA research

Hillman et al. (2004), building on earlier work (Hillman and Hitt, 1999), provided an important milestone that organised the literatures into four categories: i) *antecedents of CPA*, ii) *types and typologies of CPA*, iii) *organising to implement CPA* and iv) *outcomes of CPA*. Under each of these categories, there are specific parameters that Hillman et al. used to summarise extant literature. As an example, firm-level antecedents are captured under firm size, dependency on government, slack, diversification level, foreign ownership, formalised firm structures and managerial influence. Industry-level antecedents were another important category that Hillman et al. proposed, summarising some previous studies (Grier et al., 1994; Bhuyan, 2000). The research essentially sought to understand the industry's ability to organise political action, based on an understanding of industry structural variables like concentration and number of firms. There was also early work linking CPA to industry contingency (Mahon and McGowan, 1998). Industry contingencies in emerging markets undergoing pro-market reform remain under-researched, however.

Hillman et al. (*op cit*) also proposed institutional antecedents of CPA (will be addressed under a typology by Lawton et al., 2013b) as well as issue-specific antecedents of CPA as additional categories. They also proceeded to suggest a research category for *types and typologies of CPA*, noting that the area had received relatively little attention since the seminal review by Shaffer (1995). In general, they came up with two typologies: proactive versus reactive CPA (particularly a buffering versus a bridging approach, drawing on Mezner (1995) and Blumentritt (2003)), as well as approach (particularly the relational versus transactional approach as proposed by Hillman and Hitt (1999), participation level (individual versus collective participation, drawing on Bonardi et al. (2005)) and strategy (information, financial incentive and constituency building, drawing on Hillman and Hitt (1999) and Hillman (2003)).

A number of these perspectives inform the initial theoretical lens of this research, seeking to unpack Uganda's CPA reality and its institutional implications. The study is however cognizant that most of the prior research used US and/or European contexts, and could hence expose assumptions that have limitations in emerging markets. For example, these contexts already have a stable and mostly well-defined broader institutional and political context in which firms develop CPA. But this broader context is also evolving and often heavily volatile in Uganda. This therefore suggests that CPA is developing within institutional parameters that are so far largely unclear. One implication is that managers need to make decisions that effectively accommodate this broader fluidity and volatility.

Additionally, Hillman et al. (2004) synthesised the strand of research around *organising to implement CPA*, suggesting that this area had received the least

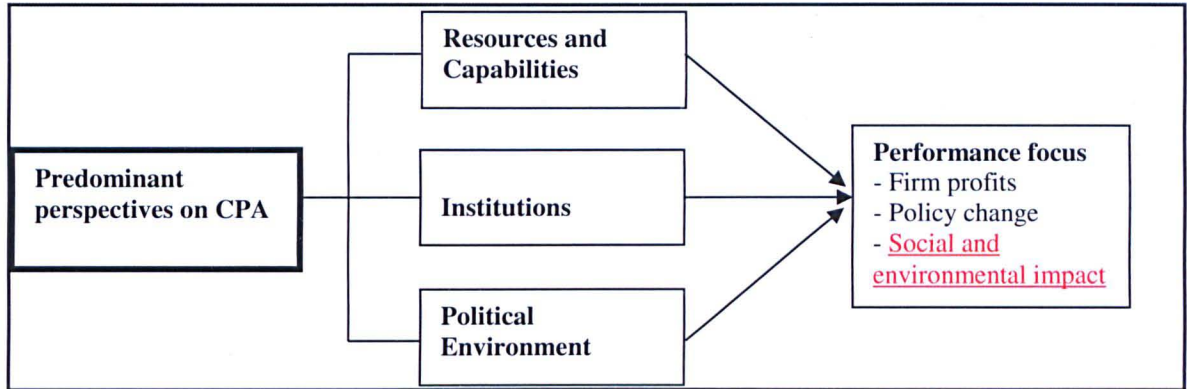
attention since Shaffer's (1995) seminal review. Given that firms may not necessarily want to reveal details of their CPA strategy, it is not surprising that the area has lacked substantive attention. Hillman et al. (*op cit*) proposed a sub-categorisation into two main areas: i) integrating CPA with market strategies and ii) integrating other political actors into the implementation. These areas might expose some of the richest insight into CPA in terms of its wider rationale and purpose. The former perspective received some extended attention from Bonardi (2005) who, among other things, compared and contrasted economic and political markets with the aim of gaining initial perspectives on what alignment of the two markets would entail. But it is later, in a book on the subject, that the case for alignment of market and nonmarket strategies was handled more comprehensively (Lawton et al., 2013a).

What emerges though is that in spite of a growing illumination of the advanced economies, evidence about most of the emerging world remains anecdotal. Even the approach to classical market strategy in these markets necessitates a rethink of traditional assumptions (Hoskisson et al., 2000; Peng, 2003; Wright et al., 2005; Peng et al., 2008), for example in light of a substantive informal economy alongside an emerging formal economy (Luiz, 2009; Sherifat, 2011). Consequently, an exploration of CPA and its institutional implications must accommodate this reality. A deeper understanding here would inform estimation of the policy and performance outcomes of CPA potentially derivable from an aligned strategy, since these are the two key measures identified in extant research (Hillman et al., 2004; Lawton et al., 2013a).

The perspective on integrating other political actors was investigated by Holburn and Vanden Burgh (2002) and de Figueiredo and de Figueiredo (2002), who contended that since the question of which institution is actually most appropriate for targeting

using nonmarket strategies might not be a straightforward one, an exploration of CPA would need to extend the exploration of 'political actors' beyond the immediate regulatory circles. This is likely to be the case in institutionally fragile emerging markets where regulators are regularly pushed aside by influential political actors. These authors further suggest that the institution (statutory, regulatory or adjudicatory) that might be most relevant for CPA can vary according to the issue and the particular moment in time. But as mentioned elsewhere in this review, statutory institutions (executive versus legislature) in Uganda tend to be disproportionately shaped by the executive arm of government as a reflection of national political reality (Robinson, 2007). This reality would be expected to impact on market entry and embeddedness dynamics of strategically important infrastructure projects like power dams. The broader implication is that if, overall, CPA affects the emergence of institutions and democratic processes, then understanding what it specifically entails is important.

Almost a decade later, Lawton et al. (2013a) again published a review that built on Hillman et al.'s defining work, updating it with progress made in the new decade. The predominant perspectives therein were resources and capabilities, the institutional context and the political environment, and they were similarly intended to shape the performance focus encapsulated by firm profits and policy change. These perspectives are henceforth reviewed. A key performance aspect that extant literatures and Lawton et al. did not explicitly consider is the 'social and environmental impact' of MNE behaviour. Given the ever-growing importance of this consideration as an assessment measure for MNE behaviour, especially in institutionally fragile emerging market contexts, it needs to be explicitly integrated as one of the performance foci (see Fig. 3.2 below).

Fig. 3.2: The CPA framework (based on Lawton et al., 2013b)

3.4.2 The resources and capabilities perspective of CPA

This is a perspective that is strongly related to the Resource-based view (RBV) of the firm (Prahalad and Hamel, 1990; Barney, 1991; Grant, 1998; Helfat and Peteraf, 2003; Peteraf, 2006). Applying it to CPA means that firms are perceived to possess or be able to develop resources and capabilities that can be exploited to win advantage in the nonmarket environment, specifically in building favourable relationships with political actors and regulators (Baysinger, 1984; Hillman et al., 2004; Bonardi et al., 2005; Frynas et al., 2006). Political resources can be viewed as organisational resources, such as a core team of HR focussed on the task, but also include relational, reputational and financial resources allocated to the task (Dahan, 2005). These studies are however generally criticised for weaknesses in illustrating the processes involved in selecting particular resources and combining them to attain specific political capabilities. The understanding of such processes is even more daunting in emerging markets like Uganda that are growing very fast, albeit in weakly institutionalised contexts.

Informal social networks constitute an important resource generally deployed in lieu of more formal structures and institutions in these markets (Khanna and Palepu, 1997;

Peng, 2003; Khanna et al., 2005; Dieleman and Sachs, 2008; Yao and Luo, 2009; Sun et al., 2010a). But the factors that enable some firms to deploy such networks better than others and hence carve out a strategic advantage are still thinly understood. In addition, the question of how these networks in turn relate to broader political fluidity in such markets provides considerable space for scholarship. Sun et al. (*op cit*) however caution that while such existing networks have value, becoming deeply embedded in them can prove a liability over time. This places entrants in these markets in the dilemma of deciding how embedded to become, without appearing uncommitted and vulnerable to political machinations.

3.4.3 The institutional perspective of CPA

This perspective is particularly important for this research as it builds on the broader institutional considerations in section 3.3 and further clarifies the relevance of the research. The key thinking here is that firms are embedded in local cultures, laws and history which accordingly act as 'institutions' in a broad sense (North, 1990; 1991). Whereas a growing body of extant research explicates this perspective in the largest emerging economies (Peng and Luo, 2000; Luo, 2001b, 2004; Tian et al., 2007; Peng et al., 2008; Sun et al., 2010a), a gap persists concerning smaller but collectively increasingly important emerging economies. Very often such economies have been dumped into generic categories (Jackson and Deeg, 2008), or assumed to perfectly mirror the findings in extant research. This thesis hence offers an opportunity to take a closer look at a Sub-Saharan African country. Whether EMNEs have accrued an advantage compared to AMNEs by having a more intimate knowledge and understanding of this local situation is expected to become evident.

The above discussion translates into the following theoretic proposition:

Precursor Proposition 2: *If being strongly embedded in the institutional context of an emerging market is critical to successful CPA strategies, then MNEs that make strategic choices to more strongly embed will attain more positive results through their CPA.*

Most importantly, there is little research evidence of whether and how firms are specifically helping shape emerging institutions rather than just passively responding to the 'voids' (Khanna and Palepu, 2000, 1997; Khanna et al., 2005). How these firms may be contributing toward this institutional transformation through CPA behaviour is an important concern in this research. All this is further informed by observations that there is a superficiality of knowledge on how firms and their institutional contexts interact in reality (Jackson and Deeg, 2008; Peng et al., 2009; Lawton et al., 2013a). One important perspective is what some scholars have called the Level of Stakeholder Engagement (Baines and Viney, 2010). These scholars posit a five stages model that predicts an increasing level and intensity of engagement (from a low reactive level 1 to a highly proactive level 5) by firms with the political and institutional actors in question, as a strategy for successfully relating to public policy. But given the fragility of emerging institutions, there are question marks about the applicability of the model and whether in fact the five levels are authentic there. In other words, *engagement* could need a reinterpretation, to reflect contingent reality. The interface between the institutional and the resources and capabilities domain in CPA constitutes the core location of this study and will hence be drawn on extensively. The next subsection proceeds to summarise the third domain in Lawton et al.'s (2013a) framework, and suggest its importance for the study.

3.4.4 The political environmental perspective of CPA

3.4.4.1 General perspectives

This perspective addresses the impact on CPA of the political environment, which is interpreted from three angles: regulation, the level of political risk in the country and effects from the overall nature of the political system in the country (Lawton et al., 2013a). Whereas it could be argued that this perspective belongs to the institutional perspective presented above, these researchers suggest that there is a need to differentiate between 'hard' and 'soft' aspects of CPA in order to arrive at clearer results. Under this consideration, the soft aspects of CPA (socio-cultural embeddedness, the country's historical context, for example) are best interrogated under a separate political environment research domain, whilst the hard aspects (specific rules, for example) have been traditionally addressed under the institutional perspective above. However, this differentiation might have limitations as far as emerging markets are concerned, since notions like 'rules' are still vague and evolving in light of major socio-economic and political transformations (Bigsten and Durevall, 2003; Peng, 2003; Boojihawon, 2004; 2008; Kaplinsky and Morris, 2009; Fosu, 2011). The study recognises this reality in its exploration of CPA in Uganda.

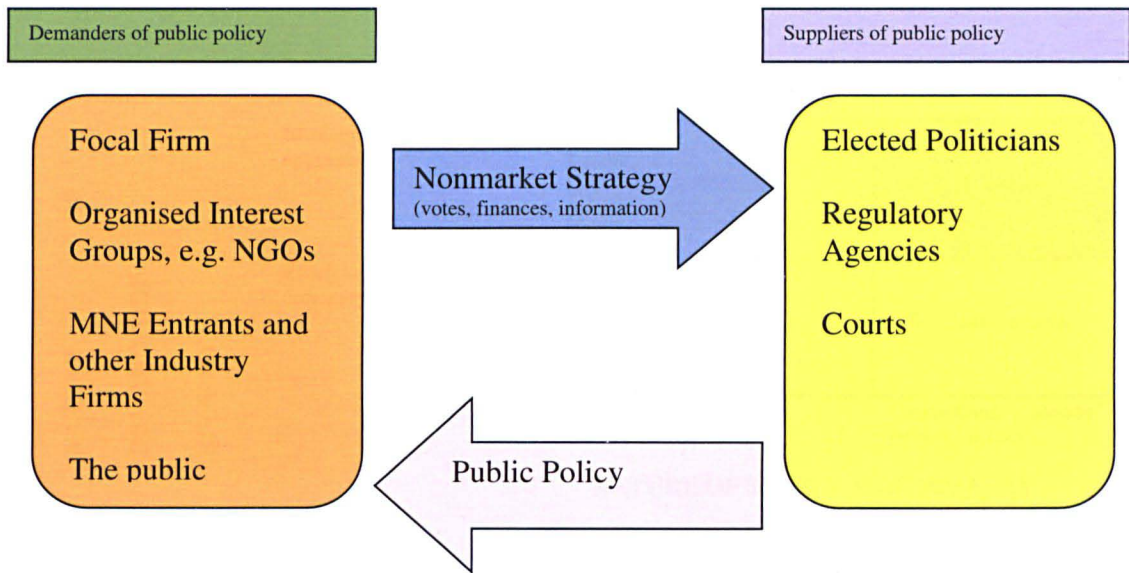
A major consideration when interpreting regulation in such pro-market, reform-oriented industrial contexts at the early stages of reform is that political actors are inclined to interfere heavily in the work of regulators (Frynas and Mellahi, 2003; Frynas et al., 2006). Regulation and the institutional framework around it may hence not reflect predictions in extant literatures. Further, political risk and the overall nature of the political system is strongly affected by a characteristically powerful presidency constraining the other arms of government whilst hardly being checked

itself (Tripp, 2004; Robinson, 2007; Azevedo-Harman, 2011). The evolving realities around this political dynamic hence need due consideration when investigating the political environment, including the political market perspective elaborated below.

3.4.4.2 The political market perspective

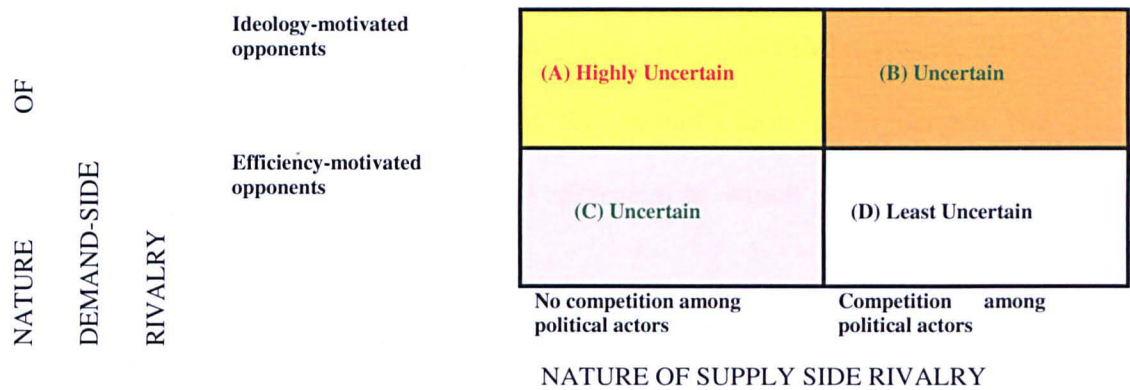
The review now takes a look at a concept called the 'political market', which was introduced by the Noble Prize Laureates, James Buchanan and Gordon Tullock, (Buchanan and Tullock, 1962) and can be seen as an aspect of political environmental considerations. Subsequently, the concept was explicitly integrated into research on nonmarket strategy as one of its core ingredients (Hillman and Keim, 1995; Bonardi et al., 2005; Ring et al., 2005). Accordingly, political markets are characterised by a rivalry between demanders of public policy such as firms, consumers and special interest groups and suppliers of public policy such as regulators, legislators, the executive and the courts. This means that on entry into host markets MNEs must identify the type of political markets they are entering into, how these markets are evolving and the best political strategies with which to approach them. Fig.3.3 below is a generic representation of a political market configuration that can be further customised to a particular host country and industry:

Fig. 3.3: Demand and supply elements in a political market (derived from Bonardi, Holburn and Vanden Bergh, 2006)



For weakly institutionalised and newly democratising states, there is a need to rationalise the power of ‘elected politicians’, given the tendency of the executive arm of governments to undermine the powers of parliament and the courts. Further, the ‘public’ often effectively represents an elite group and the middle class, but not necessarily the majority at the bottom of the pyramid who are in essence voiceless. These realities hence have implications for the competition between the actors in the political market, implications that Bonardi et al. predict. An effective CPA strategy therefore needs to anticipate, accommodate and attempt to shape the novel dynamics in these markets (Kingsley et al., 2012), as part of their gaining of competitive advantage. These researchers propose a 2*2 matrix (see Fig. 3.4 below) that juxtaposes rivalry on the demand side with that on the supply side of the political market, based on a prediction of regulatory uncertainty (Hoffmann et al., 2009; Murray and Popper, 1992) in the four quadrats. On the demand side, things are seen in terms of whether the rivalry is ideology-oriented or efficiency-oriented. Successful CPA strategies will hence reflect the political market situation on these dimensions.

Fig. 3.4: Prediction of levels of regulatory uncertainty according to political market profiles (based on Kingsley et al., 2012)



The political environmental discussion above culminates in the precursor proposition below:

Precursor Proposition 3: *If the broader political environment has implications for CPA, then its often volatile nature in an emerging market will be reflected in how firms approach CPA.*

In conclusion, the nonmarket strategy research strand of extant literatures, specifically the CPA perspective, has been identified as a rich location for this research. There is specifically a gap on patterns and trends of CPA-based nonmarket strategy in new emerging markets. The possibility for preliminary evidence on how CPA is contributing (or not contributing) towards shaping emerging institutional rules and norms in Uganda’s electricity industry is particularly important. The political environmental perspective as interpreted by Lawton et al. (*op cit.*) in their framework is considered to support the more central interface between the institutional and the resources/capabilities perspective in this study.

3.5 Market entry mode and its implications

This subsection synthesises leading literatures on market entry and adaptation, thus strengthening the theoretical context for interrogating MNE-based CPA in Uganda. It builds on some pilot work done during a Master's degree project (Mbalyohere, 2012) that preceded the PhD. The main aim of the consideration is to deepen the understanding of the market embeddedness perspective which is central to the research.

Generally, extant research posits that the market entry mode reflects an MNE's core competences, its experience, the HQ-subsidiary relationship and vulnerability to external conditions in the host country (Gomes-Casseres, 1990; Hill et al., 1990; Prahalad and Hamel, 1990; Luo, 2001a; Erramilli, 1991; Dimov and de Holan, 2010). Further, it has implications for property rights, transactional hazards and rent-earning power (Buckley and Casson, 1976; Hill et al., 1990; Rumelt et al., 1994; Penner-Hahn, 1998; Luo, 2001a; Brouthers, 2013). Almost all these findings however have assumed an advanced country context and, to a lesser extent, maturing emerging market contexts. The reality of the wider body of emerging markets hence remains unexplored.

Dunning's (1980, 1988) Eclectic or OLI framework broke new ground, enhancing our understanding of MNE market entry choices by interrogating the implications of ownership (of resources and capabilities), location (of firms and markets) and internalisation (of transactional processes and capabilities). The framework has however been criticised for a low sensitivity to the contingencies of emerging markets, particularly the institutional configurations which are generally a rich mix of both formal and informal arrangements (Dunning and Lundan, 2008; Luiz and

Ruplal, 2013). The ownership of political resources and capabilities is a particularly important aspect, expected to have major implications for the success of market entry strategies in fragile emerging markets especially. Consequently, the political dimensions underlying institutional realities in these countries (Robinson, 2007; Sun et al., 2010a) might be an important consideration missing in such frameworks and weakening the universality of their explanatory power for market entry.

Conversely, transaction cost theory suggests that the governance structure for MNE entry is shaped by a commitment to minimising transaction costs (Buckley and Casson, 1976; Williamson, 1985; Hennart, 1989). Therefore, depending on the level of transaction costs for entry, an MNE will choose between an internally-oriented and a market-oriented governance structure (Hill et al., 1990; Madhok, 1997; Luo, 2001a; Chacar et al., 2010; Brouthers, 2013). The considerations here have again presumed advanced country circumstances, particularly from an economic perspective. Political transactions have therefore received hardly any attention, especially in the context of emerging countries with their evolving and often fluid political contexts.

More recently, there has been an explosion of research on MNE entry into emerging markets, particularly the traditional ones like China, India and Brazil (Luo and Peng, 1999; Luo, 2001a; Dunning and Lundan, 2008; Peng et al., 2008; Kouznetsov, 2009; Meyer et al., 2009; Peng et al., 2009; Firth and Ghauri, 2010; Narula and Dunning, 2010). This has mainly been stimulated by the economic growth rates in these markets and their growing importance in the global economy. Increasingly, there is also research on outward FDI from these countries based on Emerging Market Multinationals (EMNEs) (Aykut and Goldstein, 2006; Cuervo-Cazurra and Genc, 2008; Cuervo-Cazurra, 2008; Sauvart et al., 2010; Rugman, 2010; Broadman, 2010;

Luo et al., 2010; Huei-Ting and Eisingerich, 2010; Goldstein, 2010; Stal and Cuervo-Cazurra, 2011; Hennart, 2012). Practically all these studies, like the previous ones cited, have used a market-based strategic approach to the internationalisation of these firms and have not explicitly examined their nonmarket strategic behaviour (Baron, 1995a, b; Bonardi and Keim, 2005; Bonardi et al., 2005; Bonardi et al., 2006). There is hence a gap in extant literatures concerning this increasingly important nonmarket strategic perspective. EMNEs from newer emerging markets like those in Sub-Saharan Africa are particularly under-researched (Daniel et al., 2004; Dippenaar, 2009; Luiz, 2009; Luiz and Ruplal, 2013).

Generally, market entry may further be influenced by the relative bargaining power of the MNE and the host government (Boddewyn and Brewer, 1994; Boddewyn and Doh, 2011). Traditionally, MNEs have enjoyed advantages, not least by virtue of informational asymmetry, experience and sheer financial and technical astuteness (Erramilli, 1991; Madhok, 1997; Luo and Peng, 1999; Singh, 2007; Luo et al., 2010). While earlier studies saw an adversarial relationship between MNEs and governments, the last decade and a half has witnessed a more co-operative interaction (Moon and Lado, 2000; Luo, 2001b, 2004). In the context of emerging and developing countries, the home government may also become substantially involved, as has been observed with the ongoing influx of Chinese state-owned or state-near MNEs into African markets in recent years (Luo, 2010; Peng, 2012). Hence, government-to-government negotiation assumes strategic importance for the entry of corresponding firms.

There is however a research gap regarding the explicit implications of CPA for negotiating and contractual arrangements, specifically in emerging markets. Some

recent research appears to suggest that market entry choices may be linked to intricate political networks, and to how potential entrants manage to embed themselves in these networks even before formal entry (Peng and Zhou, 2005; Sun et al., 2010a; Shaner and Maznevski, 2011; Gammelgaard et al., 2012; Pei et al., 2012; Zhou and Delios, 2012). The sustainability and the long-term strategic value of these existing networks have been contested, however, particularly if circumstances change and key political champions become disempowered (Sun et al., 2010a; Sun et al., 2010b; Pei et al., 2012).

An important aspect on which some of these literatures is predicated is the timing of firms' political strategies, something that was seminally conceptualised as the life cycle model in political strategy (Buchholz, 1990; Holburn and Bergh, 2008). The specific imperatives in emerging markets have however remained unexplored, not least concerning the implications for institutionalisation. Frynas and associated researchers (Frynas and Mellahi, 2003; Frynas et al., 2006) did perform some early work in examining how first movers exploited the political resources available to them to gain competitive advantage in emerging and transition economies. There is a substantive need though to understand the wider range of emerging markets.

Not least, some research contends that the home country tends to influence the type of market entry decisions made by firms from that country (Noorderhaven and Harzing, 2003; Wan and Hoskisson, 2003; Chacar et al., 2010; Brouthers, 2013). But, as noted elsewhere, most of this research has used only advanced country contexts for findings, which cannot be assumed to be valid, even in the new emerging markets.

In conclusion, literatures on MNE market entry choices constitute an important perspective, especially as a broader theoretical context in which to explicate the market embeddedness, which is the central consideration in this study. Whilst this perspective is effectively only secondary in this research, it nevertheless warrants a propositional statement as follows in order to focus its importance:

Precursor Proposition 4: *i) By choosing a market entry strategy that entails a strong home and/or host government involvement in the entry, MNEs in emerging and developing markets attain advantages with their CPA strategies. ii) Whereas this closeness to government leads to the mitigation of certain risks and uncertainties, it can also lead to the reinforcement of others, forcing the MNEs to seek to balance the relationship.*

3.6 Summary of the theoretical framework for the study

The literature review now brings together the most important theoretical issues that inform the study. This is done by constructing an overarching theoretical framework.

The CPA perspective

Perspectives from the emerging CPA domain as summarised by Lawton et al. (2013a), particularly the institutional and the resources/capabilities perspectives, are combined with some earlier suggestions by Hillman et al. (2004) in their integrative model of CPA literatures to inform the research framework. Insights into ‘antecedents’ of CPA are particularly instructive, recognising that things are still preliminary in the context of on-going pro-market reform in Uganda. This is also linked to an exploratory understanding of the political capabilities associated with the antecedents of CPA identified here. The entry of MNEs from different origins

implicitly entails that they introduce influences from home, such that the CPA that ultimately emerges is a hybrid combination of these diverse influences. MNEs from South Africa, for example, have tended to be highly politically proactive, based on their home government's policy to support entry into the region's markets as part of rebuilding the country's Pan-African influence (Daniel et al., 2003; Daniel et al., 2004; Alden and Soko, 2005; Dippenaar, 2009). The framework hence tries to allow for a capturing of these different home country effects, and to ultimately integrate them in a holistic understanding of CPA.

In exploring MNE political behaviour, the framework is also configured to capture the co-evolution of CPA with emerging institutionalisation. This encapsulates the awareness that what might be observed at the embryonic stages of institutionalisation might not reflect more advanced stages. While this co-evolution is not so apparent in strong institutional contexts, it is reasonable to expect higher visibility at this early institutionalisation phase of the case industry. The design of the framework is also predicated on the need to capture process-oriented dimensions of the co-evolutionary progression, as has been discussed in section 3.3.2.

While extant literatures recognise both proactive and reactive approaches to CPA, they predominantly dwell on the former aspect in strongly institutionalised, democratic and politically stable advanced market contexts. Some embryonic research has also started to explore the reality in authoritarian and weakly institutionalised emerging market contexts, positing that adaptive political responses are recommended there (De Villa, 2014). There is however a context of semi-authoritarian and modestly politically stable, but weakly institutionalised, markets like Uganda where hybrid formations might be taking shape. Here, some level of

democratisation has been attained (see chapter 2). But further progress has been hampered, not least by a presidency with extensive powers that tend to limit other arms of government. Holburn and Vanden Bergh's (2002) contention that the locus of consideration needs to be extended beyond the classical interest group-legislator is hence of relevance here. A further key consideration is that the government was entering into uncharted waters of pro-market reform of this traditionally state-controlled sector. So it was uncertain to what extent it could realistically relinquish the sector without major political and social backlash. There was in fact an ongoing (re-)negotiation of reform, with key stakeholders like the World Bank pushing for extensive government withdrawal, and the government arguing instead for a 'phased' approach.²⁰

The theoretical framework hence creates a space to investigate political proactiveness, reactivity and eventually their strategic combinations in this type of hybrid institutional and political context. A key justification for this approach is the need to accommodate the complexity and the relative volatility of such markets, and the novel forms of nonmarket strategic management that might be needed for success. Concurrently, there is an opportunity to study the implications of the observed corporate political behaviour for emerging institutionalisation in a strategically important industry, as well as the reverse process. This is addressed in more detail in the next subsection of the theoretical framework.

The institutional perspective

From an institutional theoretical perspective, Tolbert et al.'s (1996) three-stage institutionalisation framework is deployed as a starting point to explore Uganda's

²⁰ D008

electricity industry. But given the novelty of the research context and the need for empirically-grounded understanding, the framework has been substantively refined. For example, the extensive uncertainty surrounding the prospect of pro-market reform, with no precedent to refer to, required an extended period of foundational theorisation even before Tolbert's pre-institutionalisation stage. The theoretical framework hence leaves room to capture institutional realities that might be barely addressed in extant literatures. As an example, the institutionalisation process experienced a shock when the first Bujagali project was prematurely terminated in 2003 in light of the global impact of the Enron scandal and the confrontation with environmental and social activists opposed to the project. This project had been expected to be a reference point and a stabilising factor in the whole reform process. Its failure hence introduced substantial uncertainty about the future of the industry, let alone the whole reform initiative. The failure also led to serious doubts about the core merits of the institutionalisation pathway that had been initiated. The framework hence attempts to be sensitive to defining events like these, which produce effects that are only thinly reported in extant literatures, if at all.

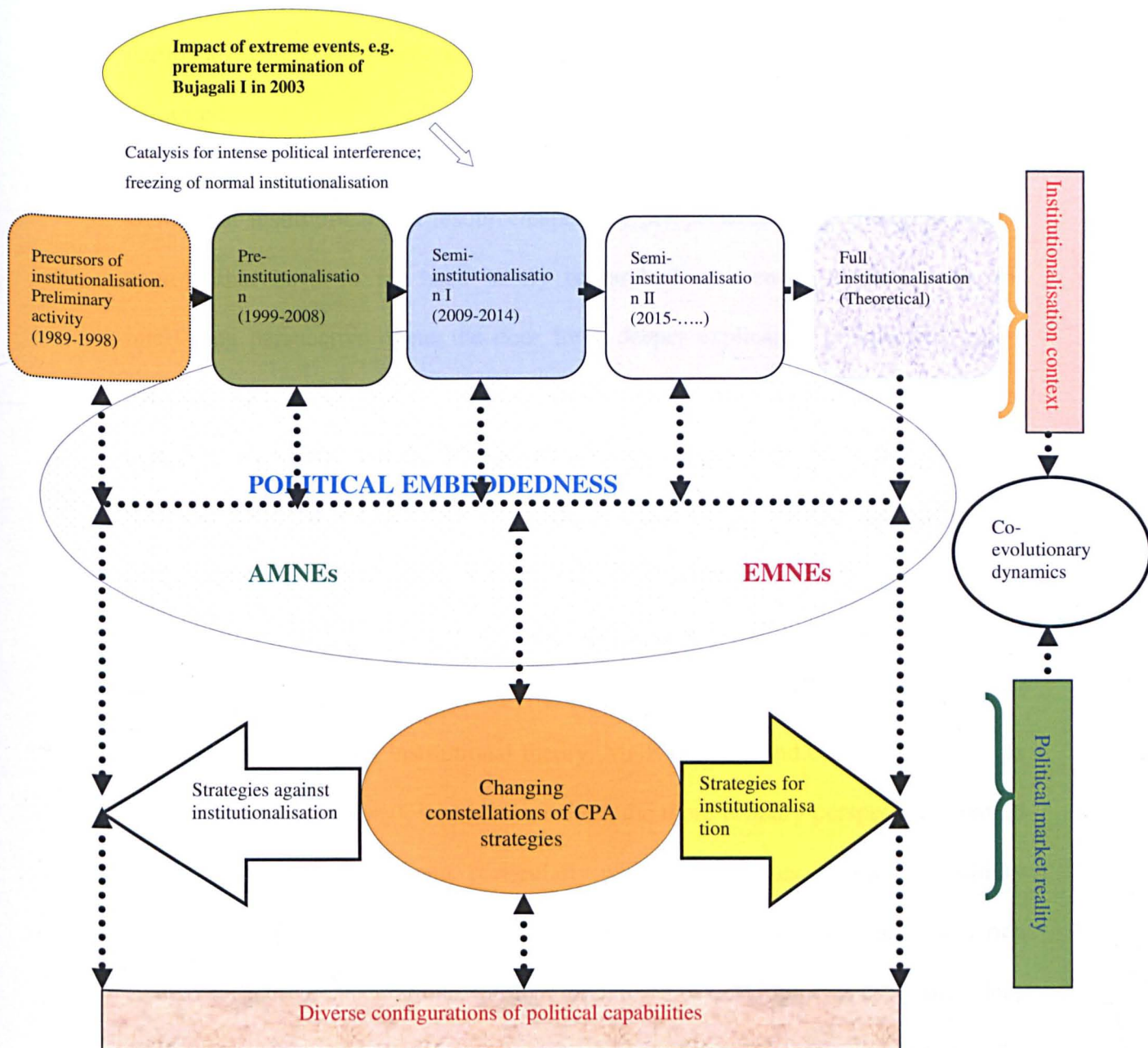
Another shock event that happened a few years later (2005-2007) was a major drought in the region that caused water levels in key reservoirs like Lake Victoria to sink to historically low levels. The situation was so bad that water rationing was implemented, leading to a massive power shortage. Once again, 'normal' institutionalisation was frozen as different institutional and political actors contested each other's powers. The framework is configured to accommodate these and other defining events, and to have broader implications for understanding corporate political activity.

In consequence, there is a market embeddedness interface (see Fig. 3.5 below) that reflects the result of the interaction between the institutionalisation process and the evolving forms of CPA. The framework predicts that the quality of interaction with this market embeddedness interface will determine the success of a firm's CPA strategy. The research in effect investigates the factors that underlie this interface and how each firm approaches them, using either proactive, adaptive or mixed political strategies. Theoretically, an emerging market context would necessitate a mixed approach to accommodate the complexity and the uncertainty prevalent in it, with the mix changing according to evolving political circumstances.

Table 3.2 – The key theoretical foundations of the research

Conceptual perspective:	Institutional theory	Non Market Strategy
Core theories/frameworks:	<ul style="list-style-type: none"> • Tolbert et al.'s three stages framework for institutionalisation 	<ul style="list-style-type: none"> • Lawton et al's CPA framework • Hillman et al's integrative model

Based on the considerations above, the theoretical framework of the research is illustrated below.

Fig. 3.5: Schematic illustration of the theoretical framework

3.7 Conclusion

In conclusion, the literature review has evaluated and synthesised some of the key debates and issues at the strategic management point that is of relevance for this study, particularly in the form of firms' nonmarket strategy. The interface between the institutional and the resources/capabilities perspective of the emerging CPA

domain of research, as proposed by Lawton et al. (2013a), has been identified as a particularly important theoretical space. The review has consequently identified pertinent research gaps and emerging streams of research, where the proposed study is located.

Given that institutional and resource/capability perspectives in an emerging market context that have so far been barely researched are central to this study, the interfacing perspective opens the door for a deeper explicatory perspective, where classical stand-alone theory exhibits limitations. In fact, given the diversity of emerging economies and the MNEs that are increasingly engaged in them, a multi-theoretic approach is considered important as a pathway to making sense of what is really happening (Weick, 1995; Wright et al., 2005; Kim et al., 2010).

In this research, the multi-theoretic perspective specifically takes the form of selected considerations based on institutional theory, MNE theories and capability theory (as embedded in RBV theory), which then inform the more primary perspectives centred on the emerging CPA domain, particularly where it addresses (political) capability theory. The liberalised electricity industry in Uganda is expected to provide a rich context for these considerations, through the tracing of developments especially since 1999, when the new Electricity Act came into force. This might also put the observations in extant research about liberalisation in utilities in more advanced countries (Baines and Viney, 2010) into a better perspective, thus contributing to the identification and understanding of potentially universal versus contingent theoretic realities.

The proposed research addresses some of the key issues raised in the review, and how they play out in a Ugandan context. Ultimately, an attempt is made to articulate a CPA perspective that reflects evidence from a new emerging economy in Sub-Saharan Africa. Consequently, it contributes to expanding the discourse beyond the biggest emerging and transition economies that have dominated extant literatures. Further, given the importance increasingly attached to institution-building in Sub-Saharan Africa as one of the key routes to sustainable development, research that makes a contribution to explaining the region's institutions and how they relate to corporate political engagement can be given strategic importance. Theoretical precursor propositions have been made at various points in the literature review as to how CPA could play out in Uganda. They consequently inform the data generation process, but ultimately are refined and expanded in light of insights from data analysis. These more empirically-grounded versions were in turn reflected in the discussion chapter.

As far as possible, the inquiry occupies a strategic management disciplinary space, albeit informed by some cross-disciplinary perspectives. Specifically, the research has the aims and objectives presented in Chapter One, section 1.3, and seeks to explore the research question articulated there as well.

3.8 Overview of the precursor propositions

The research question is explored by gathering empirical evidence concerning the precursor propositions that have been advanced in the literature review, as summarised below. The catalogue of questions for the interviews (Appendices 1-2) is accordingly designed to gather evidence for these propositions.

Precursor Proposition 1: *If CPA is designed to influence the policy and regulatory outcome of an industry, then it will reflect the level of institutionalisation in the industry.*

Precursor Proposition 2: *If being strongly embedded in the institutional and political context of a country is critical to successful CPA strategies, then MNEs that make strategic choices to more strongly embed to an emerging market will attain more positive results through their CPA.*

Precursor Proposition 3: *If the broader political environment has implications for CPA, then its often volatile nature will be reflected in how firms approach CPA.*

Precursor Proposition 4: *i) By choosing a market entry strategy that entails a strong home and/or host government involvement in the entry, MNEs in emerging markets attain advantages with their CPA strategies. ii) Whereas this closeness to government leads to the mitigation of certain risks and uncertainties, it can also lead to the reinforcement of others, forcing the MNEs to seek to balance the relationship.*

These precursor propositions were ultimately refined and expanded in light of empirical evidence, as is explained later. They were however an important catalyst for fieldwork, the gathering of concrete evidence to understand a novel research context.

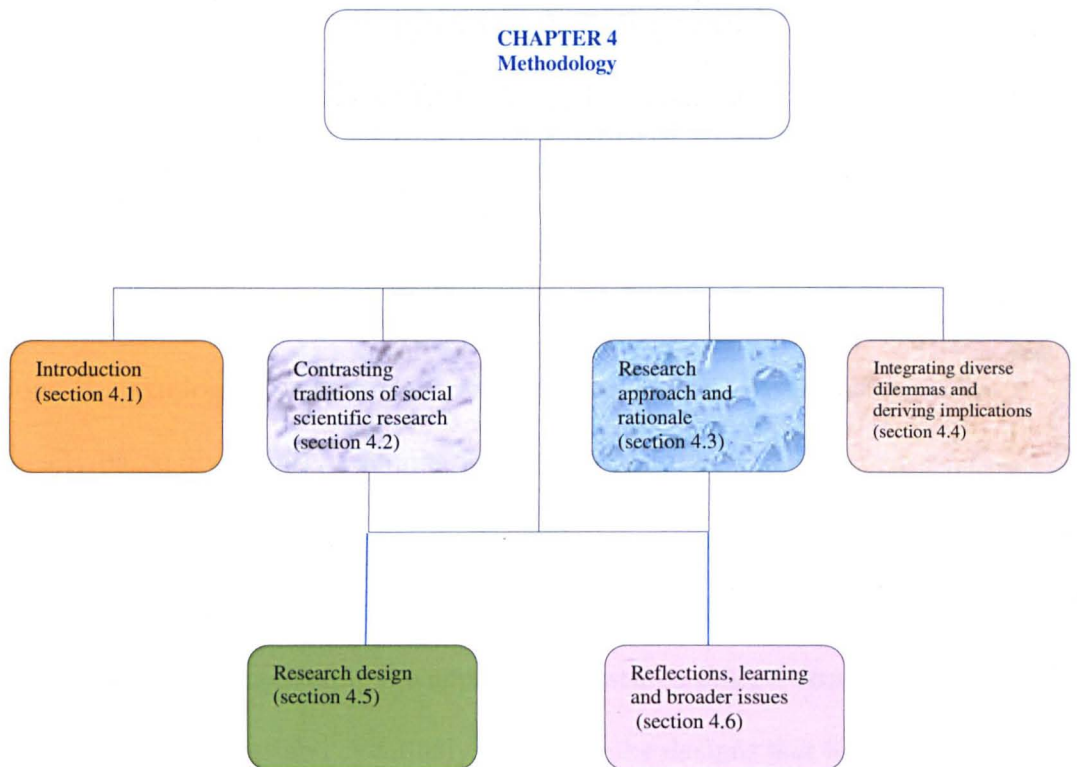
4 Methodology

4.1 Introduction

Having performed a literature review that identified the research gaps and informed the research question in the previous chapter, this chapter proceeds to present and justify the philosophical, methodological and methodical choices of the research. The role of the chapter is hence to create a bridge between the theory in the preceding chapters and the operationalization of the research that follows this chapter.

After this introduction, the chapter makes a brief synopsis of the main philosophical traditions of social scientific research in general in **section 4.2**. It then examines the decision on the research approach in this study and its rationale in **section 4.3**. This is followed by an integration of the various research dilemmas and their implications for the study in **section 4.4**. All this in turn informs **section 4.5**, which is a detailed presentation and justification of the design chosen for this research. Finally, **section 4.6** reflects on the methodological choices of the study, the learning involved and the broader issues that arise. The chapter is further illustrated using the map below.

Fig. 4.1: Map of Chapter 4



4.2 The contrasting traditions of social science

Social science has traditionally been approached from two contrasting philosophical traditions: the positivist (variously referred to as the quantitative, objectivist or traditionalist) and the social constructionist (also called qualitative, subjectivist or interpretivist) traditions (Hussey and Hussey, 1997; Easterby-Smith et al., 2008). The two traditions have evolved along trajectories that reflect divergent ontological, epistemological, axiological, rhetorical and methodological assumptions. This philosophically-based divergence is summarised in table 4.1 below.

By understanding the rationale of the contrasting philosophies, the researcher becomes more competent at selecting the appropriate research design, recognising the feasibility of different designs and eventually deploying the designs that have been up till now novel to him or her (Easterby-Smith et al., 2008). Further, it becomes possible to apply eclectic designs where appropriate, inasmuch as this often precipitates rejection by purist schools of thought (Bryman, 1988; Johnson and Gill, 1997).

Table 4.1: Assumptions of the two predominant philosophies of social science research

Assumption	Positivist	Social constructionist
Ontological (the nature of reality)	Reality is objective and singular, separated from researcher	Reality is subjective and multiple, as interpreted by research participants
Epistemological (the relationship of the researcher to what is being researched)	Researcher is independent from that being researched	Researcher is part of that being researched
Axiological (the role of values)	Research decisions are not influenced by values	Research decisions are influenced by values
Rhetorical (the role of language)	Formal Based on predetermined decisions Impersonal voice	Informal Based on evolving decisions Personal voice
Methodological (the process of research)	Deductive process Cause and effect Static design Context-free Generalisations leading to prediction, explanation and understanding Accurate and reliable through validity and reliability	Inductive process Sense making based on rich interpretation Emerging design Context-bound Theoretical abstraction based on patterns and themes Accurate and reliable through verification

(Based on Creswell, 1994 and Hussey and Hussey, 1997)

4.3 Research approach and rationale

In light of the substantial research gap on CPA and its emerging institutional implications in Uganda (and SSA generally), I employ an exploratory, qualitative case study approach for this research. This is generally considered a prudent strategy for research in its infancy (Eisenhardt, 1989; Crotty, 1998; Grant, 2003; Yin, 2003, pp.45-55; Sun et al., 2010a). The wider philosophical rationale is that the broad interpretivist approach (Habermas as cited in Easterby-Smith et al., 2008, p.58; Hussey and Hussey, 1997, pp.47-8), specifically the social constructionist paradigm (see table 4.1 above) that is being proposed here enables the researcher to investigate and make sense of reality using a reflexive, iterative and rich approach (Crotty, 1998;

Hammersley and Atkinson, 2007, pp.14-18; Easterby-Smith et al., 2008, pp.58-60).

Further, such an approach enables the researcher to access the deeper levels of complexity in a situation by focussing on its context using locally grounded approaches (Miles and Huberman, 1994, p.10).

More specifically, the research here operationalises social constructionist philosophy through the choices that inform the research design in section 4.5. Of particular importance is a drawing on Grounded Theory to inform the method of analysing the data (see section 4.5.3.6). Grounded theory is particularly strong at capturing rich data, offering authentic routes to enter the reality of research participants, focussing quickly on what is happening without sacrificing its detail, facilitating the ingenuity and incisiveness of the researcher and sensitising the researcher to emerging reality by remaining open (Charmaz, 2006; Easterby-Smith et al., 2008). These strengths were capitalised upon in applying the theory particularly to the grounded analytic method as explained later. The differences in opinion among academics about how to authentically implement grounded theory and its divergent evolution since Glaser and Strauss's (1967) seminal work mean that there are challenges involved in making choices. This is complicated by differences in opinion on how to use cases in research, depending on ontological orientation (Eisenhardt, 1989; Yin, 2003; Easterby-Smith et al., 2008). The philosophical and research design outcome in this research is hence effectively a combined perspective (within the social constructionist interpretation of grounded theory as opposed to its positivist understanding), which is considered best for the novelty of the research. For example, some interpretations of grounded theory suggest that theoretical propositions are not needed prior to going into the field (Yin, 2003). But in this study, these were considered to be an important sensitising place from whence to start the research, revising and revisiting the

propositions along the way, or applying what Charmaz (*op cit*) calls 'shape and reshape'.

An important consideration is the notion of reflexivity, which implies the monitoring by the researcher of his or her impact on the social situation under investigation (Johnson and Gill, 1997, p.178). These researchers contend that such reflexivity is situational, differentiating it from 'epistemological reflexivity' in which the researcher attempts to hermeneutically reflect upon and articulate the assumptions made in reaching conclusions about what has been observed. In broader terms, the chosen methodological philosophy rests on the ontological acknowledgement that social reality is not independent of the researcher and cannot be approached as an abstraction. Rather, the researcher makes sense of reality based on being an active participant in the socio-cultural context under study (Charmaz, 2006; Hammersley and Atkinson, 2007, pp.14-17; Easterby-Smith et al., 2008, pp.58-60), whilst not crudely biasing the outcome through unchecked and unwarranted researcher impact.

Further, as noted by these researchers, the biography of the researcher cannot be ignored and may help explain certain positions occupied during interpretation. There are also implications for the embraced epistemological position that emanate from this situation. Both these perspectives are subsequently integrated with others to generate a diagrammatic profile of key influences on the study from a researcher perspective (see Fig. 4.2 in this chapter). Not least, knowledge about the researched reality is not assumed to be absolute and value-free, but rather it is an evolving co-creation of both researcher and research participants (Marshall and Rossman, 1989; Crotty, 1998). Miles and Huberman consequently suggest that such research is a 'co-elaborated' act (Miles and Huberman, 1994, p.8).

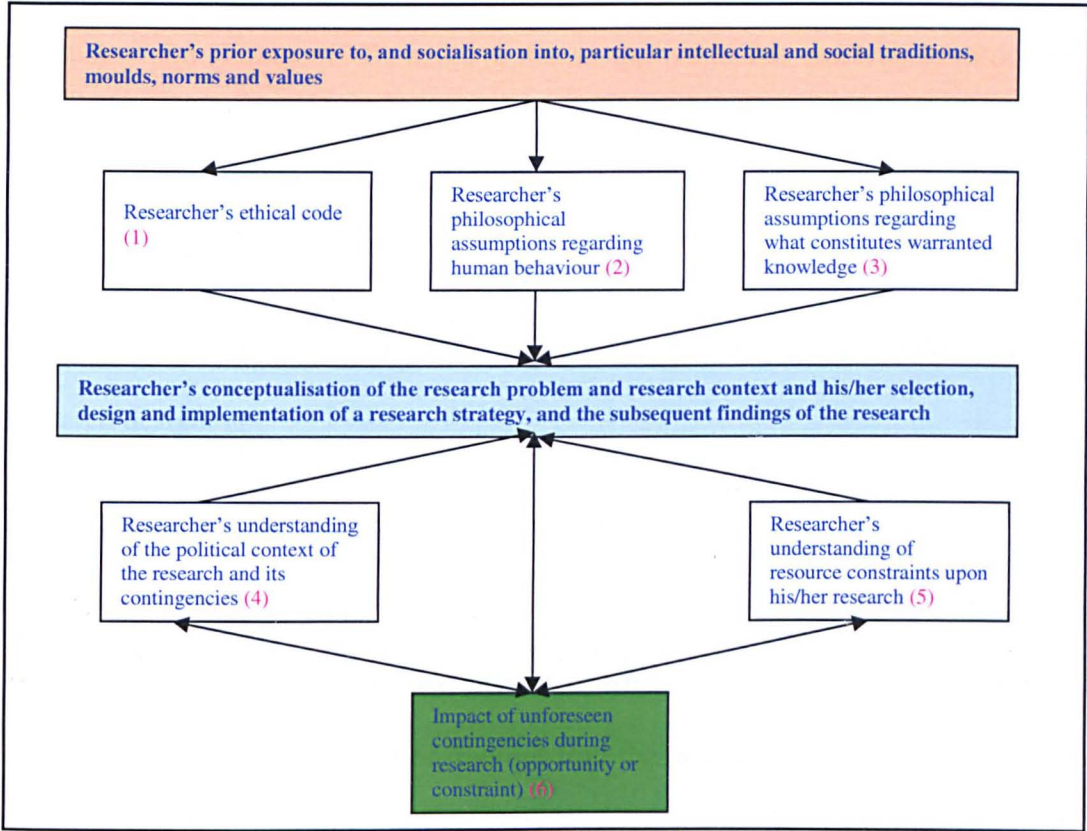
A further consequence of this ideographic, inductive approach is that the researcher cumulatively builds (revises) theory and propositions as the research progresses, rather than starting off with hypotheses rooted in reductionist assumptions. The emphasis therefore is on analysis of subjective accounts that the researcher generates by 'getting inside' situations and getting involved in the everyday life of the research setting (Burrell and Morgan, 1979, pp.6-7). The approach also recognises that reality is an *a posteriori* experience rather than an *a priori* configuration, thus paving the way for research that ensures true understanding or *verstehen* (Johnson and Gill, 1997, p.36; Giddens, 1993).

4.4 Integrating the diverse dilemmas and assessing the implications

Figure 4.2 below is an attempt to capture key research philosophical issues raised in this chapter and their implication for practical choices of strategy, research design and technical methods, based on a proposition by Johnson and Gill (1997, p.152). One key lesson that emerges from this mapping of the process is the need for purposeful reflection on the choices that the researcher is making, and on how they interact with the broader research scaffold (Crotty, 1998). In this regard, Morgan argues that guides to methodological choices 'if interpreted too literally exert a confining and diversionary hold on imagination', as interest in the classification 'map' replaces interest in the 'territory' (Morgan, 1983, p.41). It is therefore prudent for the social science researcher to embed a certain level of flexibility into the research design, and to apply whatever innovative and creative approaches the research situation might warrant (Marshall and Rossman, 1989, pp. 26-7, 45). But, as Easterby-Smith et al. (2008, pp.175-81) argue, while commenting on the seminal work by Glaser and

Strauss, this should not be a means of avoiding integrating strong rigour into qualitative research frameworks.

Fig. 4.2: Philosophical, social, political and practical dilemmas and their implication for research (based on Johnson and Gill, 1997).



- Notes:**
- 1 – My interpretation of the Open University Ethics Committee-oriented guidelines in a Ugandan context and the integration with rather fragile and emerging guidelines within Uganda itself
 - 2 – My early years in Uganda and how these have been influenced by later experiences in two major European countries (UK and Germany)
 - 3 – My previous engagement in an engineering-oriented professional context, followed by a shift to a management and business context, might have had some influence in shaping my conception of knowledge and its creation
 - 4 – My understanding of political perspectives of the electricity industry in Uganda, especially immediately preceding and following liberalisation of the industry in 1999
 - 5 – My ability to make the best use of a rather limited budget and timeframe in the PhD research program
 - 6 – My ability to accommodate contingent developments during the research, without disrupting the core objectives

4.5 The research design

4.5.1 Introduction

This section presents and discusses the research design, defined as the 'science (and art) of conducting studies so as to get to the most valid findings' (Vogt, 1993 as cited in Hussey and Hussey (1997, p.114)), that is applied in this research as informed by the preceding subsections. It is structured into subsections on the research cases and the unit of analysis, the methods of data collection, collecting the data and the methods of analysing the data. Finally there are ethical considerations and conclusions, as well as reflections on the process of selecting and piloting the research design.

4.5.2 The research cases and the unit of analysis

Informed by the research strategy described above, the framework for collection and ensuing analysis of data (the two phases overlap in qualitative research as part of ensuring a stronger immersion of findings into the original rich data) was an in-depth case study of leading MNEs in Uganda's electricity industry. The unit of analysis is accordingly a group of MNEs in the industry, tracing major corporate political and related emerging institutional transformations since the passing of the Electricity Act in 1999. These MNEs will be introduced in detail later, but are presented in brief here:

- **Pisu** - an EMNE from Kenya,
- **Frinam** - an EMNE from South Africa,
- **Avin** - an EMNE from the host country Uganda,
- **Prolux** - an AMNE from Norway and, finally

- **Energy Global** - an AMNE from the USA (Pisu and Energy Global are analysed together as part of a joint venture)

The names deployed here are pseudonyms. These MNEs were selected on the basis of covering a substantive market share (about 85%) of the total electricity currently generated in Uganda. Further, they represented a diverse picture with regard to mother country origin. Also, they appeared to represent approaches to CPA around which archetypical behaviour could be identified and conceptualised.

Some of the best known studies in business and management research draw on a case study approach (Pettigrew, 1985; Pettigrew and Whipp, 1991, pp.6-7; Marshall, 1995; Sun et al., 2010a). A case study provides opportunity for in-depth exploration of a phenomenon (Hussey and Hussey, 1997, pp.65-7; Gummesson, 2000, pp.95-7; Bryman and Bell, 2007). The paper by Sun et al. is particularly useful in terms of the methodological practicalities of researching the political behaviour of international firms. Drawing on predominantly qualitative research traditions in the social sciences, the focus is on intensity of analysis of the data rather than broad generalisations per se, inasmuch as the substantive number of interviews used impart a quantitative dimension to the interrogation and strengthen the quality of theorisation (Eisenhardt, 1989; Yin, 1994; Charmaz, 2006; Bryman and Bell, 2007).

Eisenhardt (1989) notes that case studies can employ an embedded design, i.e. multiple levels of analysis within a single case. In the proposed research, this is interpreted to mean that the primary level of analysis explores CPA in the targeted MNEs and how it is crafted and implemented to respond to and, where possible, favourably shape the emerging institutions in the liberalised industry. However, the

level of analysis that relates the MNEs to the broader electricity industry and the institutional and political situation in Uganda is also an important contributory factor to a holistic understanding of reality (Hussey and Hussey, 1997, p.67). Indeed, these other institutions and actors might play an important role in shaping not only the emergence but also the maintenance of specific CPA-oriented cultures, with implications for the amount of impact on policy and regulatory frameworks.

The selection of the research cases was influenced by an interest in developing an in-depth understanding of emerging CPA in a pivotal industry in Uganda's economy, as well as its institutional implications. The understanding was enhanced by gaining insight rooted in historical-evolutionary developments on the one hand, and contemporary events on the other. Whereas there are some differences in approaching these two perspectives, not least the fact that the former is often only accessible using secondary data, they occupy an area of overlap which informs this research (Yin, 2003, pp.5-9). Further, the depth of understanding gained using one case industry (Dyer and Wilkins, 1991) is expected to inform cross-case analyses in ensuing research. I am particularly interested in understanding how CPA and its impact on emerging policy-making and regulatory rules has evolved in diverse UK Commonwealth countries in different or similar ways, and why, following independence from the colonial master.

The situation in the electricity sector provides a substantially long timeframe (from the early 1950s, when the first hydroelectric power dam was commissioned, up to now) on which to draw in the search for broader evidence. This is arguably particularly important in trying to identify and understand the socio-cultural and historical perspectives of CPA and the implications for institutions and institutionalisation (Scott, 1995, 2004). **The time span of core interest in the study**

however is the fifteen-year period since the passing of a new pro-market, reform-oriented Electricity Act by Uganda's parliament in 1999.

More generally, giving careful attention to the design process of qualitative case study research is also of value in countering critique from more positivist-oriented researchers. The key points raised by them are that it lacks rigour, does not permit extensive generalisations to the broader population and produces huge amounts of data which are liable to diverse interpretations (Easterby-Smith et al., 2008, p.97; Yin, 2003, pp.10-11). Further, some researchers contend that multi-cases can potentially distract from exploring the richness of a single case, instead luring the researcher into an overly contrasting mode (Dyer and Wilkins, 1991; Easterby-Smith et al., 2008, pp.97-100). But the issues raised earlier surrounding the multiple levels at which even a single case can be analysed need to be born in mind here. Given the nascent nature of research in this area, especially in emerging country contexts, and the need to attain an initial exploratory perception of the situation, it is not considered prudent to limit the research to only one MNE. So the sample in this study includes five MNEs with diverse backgrounds.

4.5.3 The research methods of this study

A research method refers to a technique or tool of data collection or analysis, thus differentiating usage of the term from 'methodology', which has a more philosophical meaning, related to the paradigm that underpins the research (Hussey and Hussey, 1997, p.77; Blaxter et al., 2010, pp.59-60). The elaboration that follows below differentiates between methods of data collection and methods of data analysis.

4.5.3.1 Methods of data collection

Introduction

Based on the research design described above and its underlying ontological and epistemological assumptions, the research employed two research methods for data collection: semi-structured in-depth interviews, and the interrogation of archival materials. This dual method combination was appropriate for an exploratory qualitative study of the nature of this research. It allowed the research to benefit from the combined impact of the methods, including the mitigation of individual validity threats (Johnson and Gill, 1997, pp.159-61; Hammersley and Atkinson, 2007, pp.183-5). The two methods are explained further as follows.

The semi-structured interview

The semi-structured interview is a form of interview that attempts to avoid the rigidity of a fully structured interview on the one hand, and the fluidity of a fully unstructured interview on the other (Easterby-Smith et al., 2008, pp.142-4). It is essentially designed to accommodate a level of topical guidance (a few core questions used for general guidance in the interview – see appendices 1-2), whilst facilitating access to original, unprompted insight from the interviewees, by virtue of the relative freedom to pursue emerging lines of inquiry. This is fundamentally important in making sense of reality from an interviewee perspective (Kvale, 1996; Crotty, 1998; King, 2004). Ultimately, this is an important pathway for the generation of knowledge that can enable a broader understanding or *verstehen* of social reality (Giddens, 1979; Johnson and Gill, 1997, p.105).

Semi-structured interviews are thus well suited to uncovering underlying social meanings that are otherwise hard to access, and to exploring the issues, events, feelings, knowledge, learning and experiences underlying these meanings (Miles and Huberman, 1994, p.10; Blaxter et al., 2010, pp.193-7). However, Douglas (1976) cautions against wholly relying on research participants to honestly and accurately convey their experiences, including the complexities that may not be easy to abstract. The use of archival data as part of a triangulated methodical framework, as explained in the next subsection, to an extent helps to counteract this potential problem.

Further, the researcher needs to be sensitive to the danger of being made 'native' and no longer able to see what is happening with the requisite level of distance and analytical sharpness.²¹ In other words, there might be some tension between seeking a level of immersion and maintaining a healthy distance. Not least, there was potential for some participants to emotionally 'open up' during the course of the interviews, a situation that needed a sensitive approach.²² Finally, the researcher might experience deep emotions and personal feelings too, again calling for a mechanism to manage this. Hammersley and Atkinson (2007, p.151) contend that such feelings need to be acknowledged and, if possible, recorded in written form, since they can inform the broader sense-making of the situation. These perspectives informed my field notes where appropriate.

In short, there are some qualitative and situated judgments that need to be made throughout the research, not least during interviews. The structure of a semi-structured interview provides room for this flexibility, whilst maintaining the focus of the study.

²¹ <http://www.open.ac.uk/ccig/research/postgraduate-research> - 3rd workshop on interviewing skills

²² <http://www.open.ac.uk/ccig/research/postgraduate-research> - 2nd workshop on interviewing skills

The next subsection proceeds to explain the second research method employed in this research.

Interrogation of archival materials

All qualitative research contains some form or other of analysing texts as part of data collection (Charmaz, 2006, p.35). Charmaz goes on to suggest that such texts can be either elicited or extant. The former entails requesting the research participants to actively generate written data, for example using diaries or other types of ongoing journal. The latter encapsulates various documents, on whose shaping the researcher had no influence. The latter interpretation of 'text', or documents, was employed in this research, especially given the usefulness in illuminating the historical-evolutionary perspective of CPA through the period of interest for the study.

Hammersley and Atkinson (2007, pp.121-3) argue that documents should be considered as part of the social setting under investigation. They provide the wider context and clarify issues surrounding key persons, events and organisations. Further, they can either corroborate or challenge data gathered using other research methods, thus strengthening the broader rigour of the research. Not least, analytic ideas can be stimulated during the reading of eclectic textual materials. This can be instrumental in preparing some interview questions, and identifying some issues on which to seek deeper insight in the interviews. Hammersley and Atkinson (2007, p.125) also argue that whereas documents should not be taken at face value and need to be approached critically, they can expose important 'themes, images or metaphors', which ultimately enhance understanding of the research situation.

A level of prudence is however necessary in using self-reports by organisations, given their tendency to exaggerate good performance and understate the problems (Blaxter et al., 2010, pp.230-2). Also, since the data may have been compiled with other objectives in mind and in a specific social, economic, historical and cultural context, it needs to be adapted to the specific objectives of the research study (Easterby-Smith et al., 2008, pp.35-40; Blaxter et al., 2010, p.191; Charmaz, 2006).

Given the research aim of seeking to attain both a historical-evolutionary (drawing mainly on the post-liberalisation period) and a contemporary exposition of CPA and its institutional implications, archives stood out as a fundamentally important research method, especially in informing the former perspective. However, archives were also important in illuminating contemporary perspectives, perhaps as shown in company annual reports, parliamentary proceedings, news media reports and broader documents covering more recent periods. This helped a great deal to corroborate evidence from the interviews.

In conclusion, archives occupied a central role as a source of evidence for this research, both from a historical and from a contemporary point of view.

4.5.3.2 Ethical considerations for data collection

The ethics of research were taken into consideration here too. Firstly, semi-structured interviews belong to a genre of research methods that can result in enhanced proximity between the researcher and the research partners (Blaxter et al., 2010, p.161). Hence, it was important to approach this proximity in a way that neither biased the research nor put any of the research partners in a vulnerable position, for

example concerning their role in the organisation. One way that the research could be negatively influenced is if the researcher confuses his or her own mental reference frame with that of the interviewee, and ultimately gathers and interprets data according to this frame (Easterby-Smith et al., 2008, p.147). This often happens when a certain level of pre-knowledge and pre-understanding that is important and necessary is exceeded (Gummesson, 2000, pp.57-59; Hammersley and Atkinson, 2007). Further, for much of the archival data in the public domain, it was ethically important to access and interpret it relative to the context in which it was originally produced, not least recognising its limitations. Where there were doubts, it made sense to seek clarification from the organisations in question, which in fact enhanced a triangulation-based validating perspective.

As part of ensuring ethical credibility and in preparing to apply the methods selected, guidelines provided by the Open University (available on the website: <http://www.open.ac.uk/research/ethics/index.shtml>) were adhered to. Some of the more important issues in this regard included seeking informed consent from the participating organisations and interviewee partners well in advance. Further, explicit commitments were made to protect privacy and ensure confidentiality by anonymising the data. Please refer to Appendix 4 for the approval granted by The Open University Human Research Ethics Committee as a result of meeting these ethical guidelines. Miles and Huberman have synthesised some of the most pertinent issues to take into account in terms of ethics in qualitative social science research (Miles and Huberman, 1994, pp. 288-97). One of their most important observations is that conceptual foci, research questions, instrumentation and sampling may all evolve during a qualitative study. Consequently, presumptions about ethical issues, for example informed consent, take on a new meaning. This therefore calls for a level of contingent judgment as situations arise. However, a grounding in the fundamentals of

ethics, as has been attempted here, goes a long way to simplifying decisions and providing an orientation.

4.5.3.3 Conclusion

In conclusion, the data collection methods chosen were informed by the social constructionist philosophy chosen for the study, finding its application using a case study (of a group of MNEs) as the unit of analysis. Using these methods together is tantamount to a methods-based triangulation, something that should enable the corroboration of data from different sources and hence an enhancement of the quality of sense-making (Bryman, 1988, p.47; Johnson and Gill, 1997, pp.159-61). The skills necessary for effectively using these research methods were developed during relevant research skills development training at the Open University²³, and were further refined during a piloting phase prior to the main fieldwork. But they also built on experiences and training during the Master of Research program that immediately preceded the PhD (Mbalyohere, 2012). An awareness of ethical and practical considerations surrounding research constituted a further pillar in strengthening the credibility and validity of the research.

4.5.3.4 Collecting the data

Introduction

This section explains how the data was collected, using the methods explained above. The emphasis here is on the practicalities of using the methods, rather than the theoretical and philosophical underpinnings addressed in the previous section. There

²³ <http://www.open.ac.uk/researchcentres/osrc/events>

is a differentiation between procedural issues and the collection itself. Not least, some ethical and broader considerations are highlighted prior to drawing conclusions. It is also important to note at this point that whilst the term 'collection' is used here, the process goes beyond simply a mechanical collecting, which might be erroneously implied by the term. Hammersley hence contends that the data is 'to one degree or another, in one way or another,....produced'.²⁴ This more dynamic reality of qualitative research also encapsulates an important research philosophical application, in which there is no hard core separation between 'collection' of the data and its analysis.

Procedural issues

Procedural issues amount to administrative and operational matters that need to be attended to prior to the real data collection.

Letters were sent to the primary organisations selected for study, to introduce the research and formally request access at the pre-fieldwork stage. This initiating contact was substantially enhanced by a letter of recommendation from the Permanent Secretary of Uganda's Ministry of Energy and Mineral Development (see Appendix 6 for a sample). The firms that agreed to participate then recommended people who would be of more specific assistance. However, it was also necessary to adapt the procedure to the culture in Uganda, where it is generally preferred to meet first in person, prior to broader interaction and access. In a sense, it was a bridge to building trust and forming a better impression on both sides (Hammersley and Atkinson, 2007, p.65). In most cases, this translated into a brief verbal presentation of the research,

²⁴ *Open Space/CCIG workshops, The Open University, 'Qualitative analysis of interview data', May 2013*

followed by sending formal documents directly to the recommended persons by email, usually after a short phone conversation. More broadly, this initial face-to-face interaction can be construed as a socially-embedded precursor to and enabler of wider rapport, reflecting a strong informality-oriented context. The documents that were subsequently dispatched comprised an introductory email, a concise summary of the research and an information sheet outlining key practical and ethical considerations, with a consent section attached (see appendices 3 and 5 for samples).

The scheduling of the interviews was conducted in accordance with a plan that was agreed to by each case organisation. Specifics were however open to renegotiation with the individual participants in order to fit contingent developments, for example concerning availability for the interview meetings. Further, the plan was designed to cause minimum disruption of the organisation's normal routine. Whatever the final structure of the scheduling, the key objective was to ensure a level and quality of interviewing that would enable access to the underlying corporate political reality and its institutional ramifications. Beyond the formal access that was attained as part of procedural engagements, there arose a need for deeper intra-organisational access to key people and documents. To a great extent, this more intimate knowledge about the organisation only came as I started to understand the setting better and to make some judgments about viability and advantages and disadvantages of different routes to deeper access (Hammersley and Atkinson, 2007, pp.49-50).

Collecting data using semi-structured interviews

Interviews were as far as possible conducted at the head office of the case organisations. This onsite presence enabled the researcher to get a sense of the

interviewees' natural setting. However, the interviewing of key former employees/managers and wider stakeholders was carried out at a location that was convenient for both interviewee and researcher. Each interview lasted on average one hour and, with permission, was recorded. Based on experience gained during Master's piloting (Mbalyohere, 2012), it was useful to simultaneously write some notes during the interviewing to support the transcriptions later. Such notes took the form of 'daily field notes', which in turn informed the 'fieldwork journal' (Hammersley and Atkinson, 2007, p.151).

A fieldwork journal, according to Hammersley and Atkinson, is a running account of the conduct of research. It does not only include fieldwork, but also a record of the researcher's feelings and involvement. The latter can be useful as part of a broader explicatory strategy for the researcher's experience, including its limitations. I structured my field notes in a way that differentiated my comments on the interviews themselves from broader observational comments about the setting. There was a further differentiation between such notes as raw data compared to their usage as ongoing preliminary analysis during data collection. The latter usage reflected a level of untidiness consistent with the stage of the research, and took the form of suggesting lines of analysis, indicating linkage with other data and literatures and proposing the direction for future enquiries, rather than being a polished piece of work.

A catalogue of core questions (see Appendices 1-2) guided the interviews without exerting unwarranted limitations. The latter point was important in enabling credible access to the social reality of the interviewees, arguably due to a higher sense of confidence and the freedom to discuss known terrain (Kvale, 1996; Crotty, 1998;

King, 2004; Easterby-Smith et al., 2008, p.144). Hence, whereas there was an effort to cover the whole range of pre-determined topic areas, the specific focus emerged during each interview (Jones, 1985; Easterby-Smith et al., 2008, p.143). Also, since there were interviews with several key individuals in the organisation over the course of the research, some issues that were not sufficiently covered in preceding interviews were addressed in ensuing ones.

In order for this follow-up interviewing to be as illuminating as possible, a formal preliminary data analysis stage was integrated into the research design (see Fig.4.7 in this chapter). This was a two-month period following Data Collection Phase I. This then informed and strengthened Data Collection Phase II. Whereas there was an ongoing preliminary and 'speculative' data analysis during the first data collection phase, the more focussed preliminary data analysis occurred during this specific stage of the process. The data emerging from Data Collection Phase II hence enabled an even deeper understanding of the issues under investigation, in this case by triangulating data using the same method (Johnson and Gill, 1997, pp.159-161; Hammersley and Atkinson, 2007, pp.183-5).

Hammersley and Atkinson (2007, pp.150-2) argue that the habit of regularly writing 'analytic notes' as a form of ongoing preliminary analysis of fieldwork can help focus the interview questions better. This is also a good measure against allowing massive volumes of data to accumulate prior to starting to make analytic sense of it. The 'memo' tool of NVivo formed the basis for this ongoing process, as will be explained in the analysis subsection. Not least, the structuring of the data collection phase into two main phases, interspersed with a main preliminary analysis phase, also offered the opportunity to further refine and deepen the interview questions.

Collecting data using archival materials

This constituted the main source of historical evidence to explain immediate events surrounding the liberalisation of Uganda's electricity industry in 1999. But it was also an important source of data for illuminating contemporary corporate political and institutional reality as a triangulated compliment to the semi-structured interviews.

For this research, archival materials included the annual reports of the case organisations, other key documents accessible in the organisations' archives, organisational website materials, government policy papers and reports and news media databases. As such, a historical as well as a contemporary corporate political and institutional perspective emerged. The primary organisations were formally asked for permission to access and use their internal documents under terms that were agreed. Most of these organisations owned an internal library and information management unit, with which negotiations were held on terms and practicalities of access. But it also proved beneficial to approach a senior person in the organisation who then championed the researcher and helped build trust at deeper levels.

Whereas some of these materials were available in hard copy, others were eventually downloadable on company websites. In some cases, this embodied a huge amount of data, resulting in the need to develop a strategy on how to manage it. This in turn presupposed a mastery of the skill, to effectively and efficiently decide on what was important and needed to be collected as raw data, without being too selective and endangering a strong broader context (Hammersley and Atkinson, 2007). There was correspondingly lots of photocopying and printing out of key sections of documents, as a basis for starting to make notes on the margins in preparation for feeding into the

data analysis explained later. The use of NVivo for writing and managing analytic memos and applying raw coding also assisted this process of data management.

4.5.3.5 Profile of interviewees, archival materials and some broader issues

The table below presents some of the key interview partners who were targeted. An important basis for selecting these partners was their potential suitability to provide a rich perspective on the CPA situation and its institutional implication in Uganda's electricity industry. A full anonymised list of interviewee partners used in this research and the coding for their interviews is provided in Appendix 8. Appendix 9 captures a list of archival materials deployed and the coding that identifies them in the research.

Table 4.2: Overview of key targeted interview partners and their area of expertise

Targeted interview partners	Area of interest
Current and past mid- to senior level managers in case organisations	CPA and its evolving characteristics; impact on emerging rules and norms
Current and past Ministry of Energy officials	Energy policy, specifically electricity
Senior government advisors in the energy industry (academics, local and international consultants)	External views on CPA and institutional implications since 1999
MPs and their senior assistants (parliamentary committee on energy regulation)	Legislative perspectives, political stakeholdership
Association of energy industry stakeholders	Broader industry stakeholdership, social perspectives
Key actors in the institutional field (electricity producers, transmitters and distributors; institutional entrepreneurs)	Legitimacy, nonmarket strategy (its implications for various institutionalisation processes), corporate political activities, local vs MNE perspective

(Researcher's compilation)

In addition, I attended relevant workshops, seminars and conferences in Uganda during the course of the research, hence gathering useful broader data from industry professionals and expanding the field notes repository. Following reports in the media

during the research further consolidated the gathering of observation-oriented material, even if this was not explicitly applied as a research method in this research.

Conclusion

In conclusion, this section has explained the approach to data collection, building on the choices on methods that were made in the preceding section. Apart from procedural considerations in executing data collection, practical and ethical issues were also commented on. Not least, there was an effort to place the data collection in a broader context that includes activities like attendance of topical seminars, workshops and conferences during fieldwork, thus exposing the data collection exercise to a more holistic perspective. Further, a summary listing of targeted interview partners was presented.

The following section proceeds to explain how the data was analysed to produce a basis for telling the story of corporate political activity and its institutional implications in Uganda's electricity industry.

4.5.3.6 Methods of analysing the data

Introduction

This subsection explains how the data was analysed and transformed into a narrative that rigorously makes sense of CPA in Uganda. A key aim was to present an approach whose rationale was consistent with the methodological and philosophical choices embedded in the broader research design of the study (Easterby-Smith et al., 2008, p.172). However, the observation made elsewhere of the need for a balance between extensive research rigour and a level of flexibility that accommodates

emergent research realities applied here too. The analytical approach in particular was refined during and immediately after the first phase of data collection, as part of preliminary analysis.

The section is structured into theoretical considerations, the specific analytic framework, the coding format, ethical considerations, NVivo as a support tool, and finally some concluding remarks.

Theoretical and broad perspectives on qualitative data analysis

This subsection examines a number of issues that have been raised by some experienced researchers and which were drawn upon in developing the analytic framework for this research. The initial framework was not exhaustive, but it provided a starting platform that was developed and refined along the research journey, in line with the iterative and emergent realities of social constructionist research.

A working interpretation of analysis as proposed by Blaxter et al. (2010, p.225) is assumed here. They interpret it to mean ‘the search for explanation and understanding in the course of which concepts and theories will likely be advanced, considered and developed’. Whilst this definition may make things appear straightforward, analysis of qualitative data actually carries with it several challenges, many of which are addressed in this section. Perhaps the most important challenge is that there is ‘no clear and accepted set of conventions for analysis corresponding to those observed with quantitative data’ (Robson, 1993 as cited in (Hussey and Hussey, 1997, p.248). In fact, some leading scholars contend that whilst much published work creates the impression that it stems from copious amounts of qualitative data, it is often difficult

to appreciate how this data has been translated into a form that justifies the conclusions, beyond the insertion of a few snippets and extracts (Bryman, 1988, p.77; Hussey and Hussey, 1997, p.248-9).

The Masters pilot study (Mbalyohere, 2012) provided some preliminary experiences that informed the PhD research. Some of the most important learning there was that data analysis and ultimately interpretation tends to take up more time than is planned. Further, qualitative research benefits substantially from explicit iteration (Hammersley and Atkinson, 2007, pp.158-9; Rosenberg and Yates, 2007; Nkomo and Kriek, 2011) at all stages. However, this is particularly strong at the analysis stage. An underlying cause for this is the need to analyse and interpret the data in a way that is consistent with methodological choices made earlier in the research, but also the need to eventually go back and refine some points. Effectively, the importance of integrating a level of flexibility into the research to accommodate this iteration becomes apparent. One of the leading authorities on case study research (Eisenhardt, 1989) goes as far as to suggest that whilst there is concentration on a particular process/stage at any single given time during research, iteration amongst the various stages goes on all the time until 'saturation' has been reached. This is the point at which no more substantive value can be added by the researcher to the quality of theorisation.

According to Hammersley and Atkinson (2007, p.158), analysis actually starts prior to fieldwork, long before the formal process gets underway. This early analysis entails, for example, the clarification of research questions and the testing of the research design using a pilot scheme, thereby assessing its robustness and making appropriate refinements. With this understanding of scope, the analysis hence

continues through the writing-up stage, not only of the main thesis itself, but also of ensuing journal articles and ultimately books. Hammersley and Atkinson further contend that guide texts on analysis actually can only 'suggest some potentially useful ways of working', and that it would be misleading to approach them as a recipe that must be religiously followed.

The above researchers argue further thus:

'So analysis is not just a matter of managing and manipulating the data. We must be prepared to go beyond the data to develop ideas that will illuminate them, and this will allow us to link our ideas with those of others; and we must then bring back these ideas to test their fit with further data, and so on' (Hammersley and Atkinson, 2007, p.159).

Analysis hence crystallises as an iterative process that sees the researcher constantly shifting between data and what is being theorised in some form of dialectical interaction. This revisiting also opens the door to looking at the data in new ways, and to therefore discovering new insights contained within it. But it also means working harder to really see something in new ways and not be too immersed in previous positions.²⁵ It is arguably safe to say that this is a research skill that develops along the research journey, and which even very experienced researchers still have to work hard to master.

A key skill that can determine the ultimate quality of the research is the selection of the right mix of sample texts/excerpts from the broader corpus of data, on the basis of

²⁵ *Open Space/CCIG workshops, The Open University, 'Qualitative analysis of interview data', May 2013*

which the story of the research can be convincingly narrated. This is central in effectively letting the richness of the data inform the report. However, this selection needs to take into account the observations made earlier about communicating the broader rationale underlying the analysis, as well as mitigating a potential bias in how the choices are made (Bryman, 1988, p.88; Hussey and Hussey, 1997, pp.248-9). Hammersley underlines the need to not only continuously revisit the data to mitigate such a bias, but in the process to also look at it in new ways, which inherently suggests that the iterative perspective raised above has a much broader utility (see footnote 24).

In light of this broad theoretical background, the following subsection aims to explore more specific territory regarding the analysis strategy that was applied, and its justification as well as some anticipated practical issues.

Grounded analysis

The analytic approach employed for this study was grounded analysis, which is closely linked to grounded theory, as postulated by Glaser and Strauss (1967). It is a form of qualitative analysis which aims to let the 'data speak for itself' and to sensitise the researcher to this voice (Easterby-Smith et al., 2008, p.173). One way of letting the data speak for itself, according to these theorists, is to derive a structure from the data itself rather than imposing something on it from outside, as is common with more positivist research.

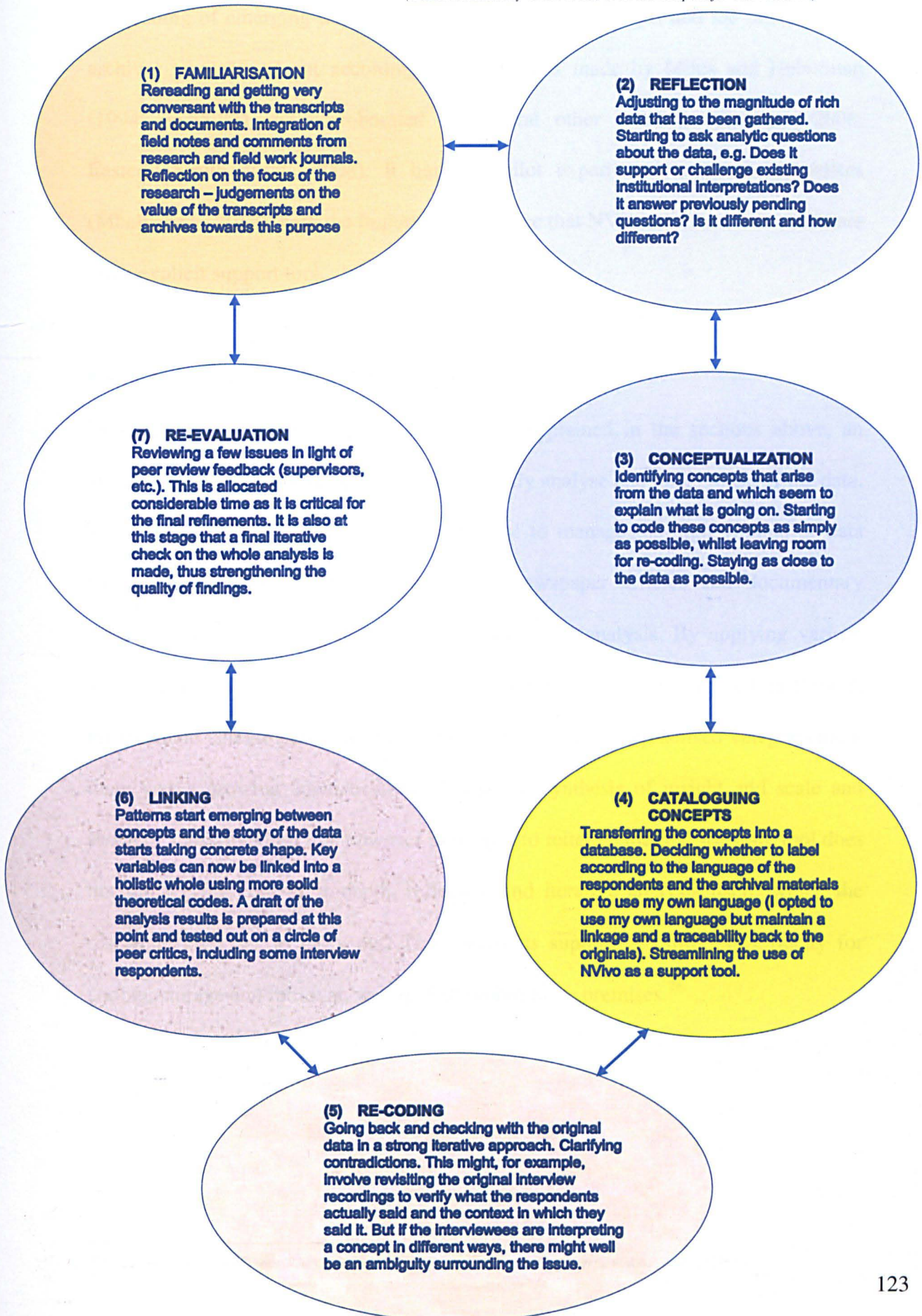
Grounded analysis is still undergoing change as an analytical method, and there is no single predominant approach to it. In fact, a deployment that accurately reflects the

propositions by the seminal theorists is often confronted by practical challenges. As an example, Glaser and Strauss contended that the literature review should actually be performed after the initial independent collection and analysis of data, so that the researcher is not too influenced by previous findings and approaches (Charmaz, 2006, p.6). This is however impractical for researchers who are new to the intricacies of qualitative research in general and grounded analysis in particular, and need some sensitising orientation at many levels. It would be more realistic to expect such researchers to inform themselves about extant literatures for general orientation, but also learn to set boundaries to ensure the authenticity of the grounded analytical perspective.

Further, the approach is more holistic by virtue of being able to accommodate cultural and historical realities, something that is of central importance in accessing some historical-evolutionary underpinnings of CPA in Uganda's electricity industry. Not least, there is room for flexibility and creativity for the researcher, who nevertheless can operate within a rigorous design framework.

The seven-step interpretation of grounded analysis, as proposed by Easterby-Smith et al. (2008, pp.178-80), was employed as illustrated below, expanding it to not only address transcripts, but also the archival materials (from within and outside the organisations) and the field notes. It is useful to note that the selected approach acknowledges the widely publicised debate between Glaser and Strauss about the direction that they each saw grounded analysis taking. Hence, whereas Glaser argued for a more open approach in which theory emerges from the data, with very little human intervention, Strauss made the case for a more prescriptive and elaborative approach. This study assumed a relatively middle ground, but with emphasis on prescription and elaboration to enhance rigour and system within the limitations of time and resources for a PhD.

Fig. 4.3: Schema of a ground analysis-based approach to data analysis

(Based on Easterby-Smith et al., 2008 but adapted for this research)

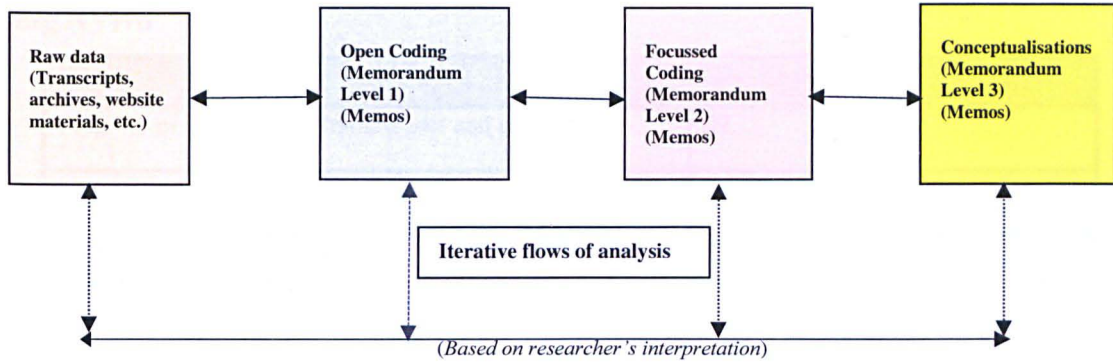
The coding format

The coding of emerging themes from the interview transcripts and the documentary archives was carried out according to suggestions made by Miles and Huberman (1994, pp.55-72) and corroborated by several other scholars (Charmaz, 2006; Easterby-Smith et al., 2008). It built on pilot experiences made during MRes (Mbalyohere, 2012), with the important difference that NVivo software was used here as an explicit support tool.

Using Nvivo as a support tool for analysis

Informed by the methodological propositions explained in the sections above, an analysis strategy was developed to systematically analyse and make sense of the data. The software *NVivo10* served as a useful tool to manage the high volume of data (transcripts, field notes, website materials, newspaper articles and documentary evidence) that was gathered, and to systematise the analysis. By applying various levels of analysis (see schemata in Fig. 4.4 below), from raw open coding through intermediate categorisation levels to the final refined conceptualised categorisation, there was a growing sophistication of analysis, synthesis of insight and scale and scope of sense-making. It is however important to reiterate that the software tool does not replace the core of in-depth, reflective and iterative analysis itself, which the researcher still has to carry out. This means its supportive utility, specifically for coding, storage and retrieval, was applied within these premises.²⁶

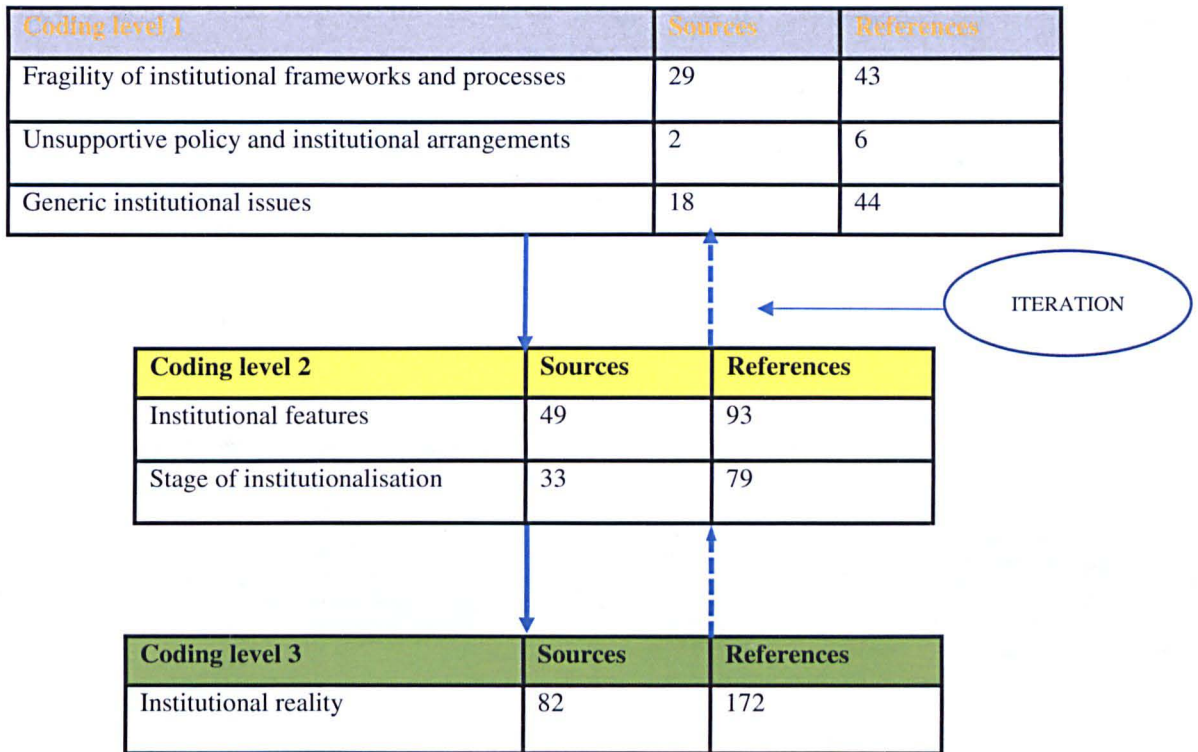
²⁶ Open Space/CCIG workshops, The Open University, 'Qualitative analysis of interview data', May 2013

Fig. 4.4: Schemata of levels of analysis using NVivo10

Continuous iteration between the different levels, with the intention of strengthening immersion in the data and the validity of the interpretations, became a core feature of the process. Below is an example of the progression from memorandum level 1, constituting codes from the raw data, to memorandum level 3, constituting the final conceptualised node that informed the conclusions in chapter 5.²⁷ Nodes and underlying sub-nodes were created as part of an iteration process, something considered vital in qualitative research (Ritchie and Spencer, 2002; Gephart, 2004). This therefore produced node trees that were iteratively interrogated, in order to understand how they related to each other and thereby illuminated CPA in Uganda's electricity industry. An important feature of NVivo is the possibility of seeing the extent to which particular nodes and sub-nodes under a tree are being referenced by interviewees and corroborated by the archival documents. While this cannot be approached as quantitatively-oriented evidence per se, it is useful as a general orientation for deciding the level of importance attached to a particular category or subcategory (Easterby-Smith et al., 2008). The flow figure below (Fig. 4.5) also illustrates the cumulative concentration of these references and sources around a coding level. Nvivo provided several possibilities for visualising the status of progression and supporting the sense making that was the objective of the exercise.

²⁷ A node in NVivo is a point at which codes (or concepts) potentially branch out into a network of sub-codes (sub-concepts) Bazeley, P. & Jackson, K. (2013) *Qualitative data analysis with nvivo*, London: Sage Publications Limited.

Fig. 4.5: Illustration of progressive coding at the node for institutional reality using NVivo



This progressive coding provided the basis for summarising the findings into the five categories (A-E) reported and explained in Chapter 5.

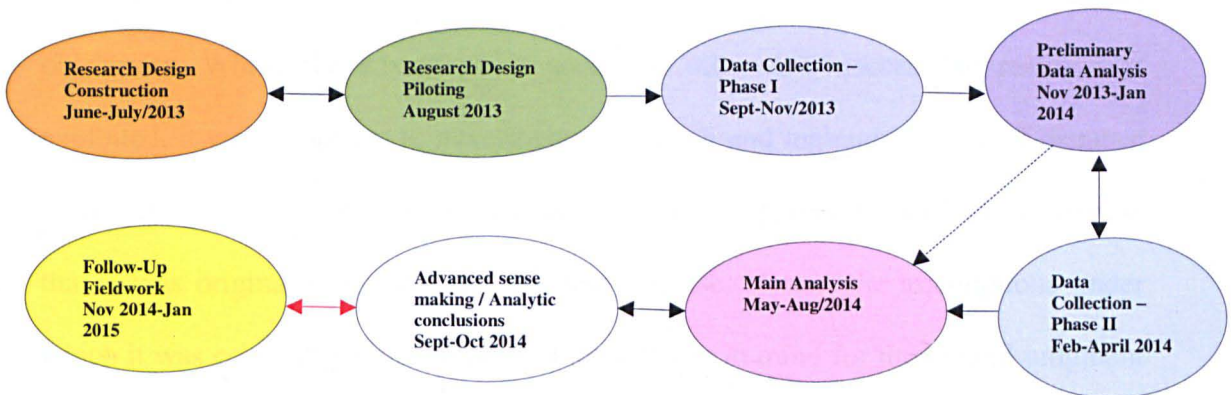
Conclusions

In conclusion, the study employed grounded analysis as the analysis method, attempting to both integrate systematic rigour into the process as well as to uphold the flexibility that is a precondition for preserving the richness of qualitative data. A modified version of the seven-stage analytical framework proposed by Easterby-Smith et al. (2008, pp.178-9) was deployed, building on its strengths with regards to iteration, reflection, conceptualisation and immersion in the underlying data. Ultimately, the analytical approach was instrumental in illuminating the CPA and its related emerging institutional reality in Uganda's electricity industry, from both a historical-evolutionary perspective as well as a contemporary one.

4.5.3.7 Mapping the research design and its operationalization

The figure below is a map of the research design and its operationalization. It provides an overview of the timeline along which the data was gathered and analysed. The map presupposes that the recorded interviews (see Appendix 8 for an overview) were continuously transcribed along the research path as part of preparing for the preliminary and the main analyses.

Fig. 4.6: A map of the research design operationalization



The main fieldwork phase hence stretched from September 2013 to April to 2014. There was also a follow-up fieldwork stage from November 2014 to January 2015. This enhanced the verifiability of the findings from the main analysis stage, by discussing selected aspects of emerging insights with some of the interview partners from the previous main data collection stage. Further, there was a deepening of the quality of *verstehen* and hence a strengthening of the research rigour (Johnson and Gill, 1997; Hammersley and Atkinson, 2007). The respondents used for this follow-up exercise were selected on the grounds of a subjective judgment of the quality of their input at the main data collection phase (based on considerations like length of stay in the industry and hence extent of exposure to the evolving issues, experience at

both an institutional and a company level and ability to be critical about the world around them).

4.5.3.8 Ethical considerations

Ethics was another important consideration at this stage of the research. For one, by virtue of the socially-embedded inclination towards informality in Uganda (and generally Sub-Saharan Africa), attaining the appropriate level of 'formal' distance with the respondents could be challenging sometimes, with potential implications for objectivity. Whilst the advantage of access to otherwise inaccessible reality was exploited, it was important to nevertheless establish and maintain a level of distance in the interactions. Further, archival data needed to be approached with the awareness that it was originally not intended for research use. Hence, the assumptions under which it was originally prepared needed to be borne in mind for the overall judgment of the validity of the inquiry. Finally, there was potential for what Bryman (1988) calls 'anecdotalism', i.e. where just one or a few instances in the data become the basis for generalisation. Whereas qualitative research generally recognises the 'richness' embedded in limited data, such data needed to be approached with the requisite judgment to avoid the Brymanian pitfall. This is an example of a point where the researcher's growing soundness of judgment becomes evident.

4.5.4 Piloting the research design

In order to strengthen the robustness of the research design, a piloting phase (see Fig.4.6 above) was conducted in the month prior to the start of formal data gathering. This involved interviews with peers and a few people with experience of Uganda's electricity industry. The experience from this testing was assessed to identify aspects

that could be improved. Transcripts from the piloting were integrated with some select archival materials, in order to perform test coding and data handling with NVivo and to set up an analysis structure.

4.6 Reflections, learning and broader issues

This final section makes a few reflections on the experience of constructing a research design through which to robustly gather and analyse the data.

Probably the most important lesson was the need to develop what Miles and Huberman (1994, p.10) call 'anticipatory' perceptions of what might happen. Whilst it is not realistic to be able to anticipate everything, the comprehensiveness of anticipation was observed to reinforce the thinking about various eventualities and how to accommodate them. Ultimately, qualitative research does involve aspects around which decisions are made as the research progresses, and which cannot be determined *a priori*. I therefore tried to perform a balancing act between rigorous design and a level of flexibility, to accommodate these emergent considerations. This meant that I needed to reflect on my research design and, where necessary, make some refinements. The piloting stage was useful in this regard, especially since most of it was carried out in the first few weeks in the field, thus informing the operationalization of the design. An important outcome was a further enhancement of the clarity of the interview questions (see Appendices 1-2).

Further, a key element of robust qualitative research in the social sciences is spending time reflecting on what the data is saying and interrogating it from as many angles as possible. The study here was enhanced in this regard by having a preliminary data analysis stage between the two data collection stages. This effectively reinforced an early recognition of what was emerging from the research and whether it would

adequately help to answer the research question. In essence, the stage also constituted a 'focussing and bounding' stage prior to moving into the main data collection phase (Miles and Huberman, 1994, p.16).

The construction and the operationalization of the design was also supported by insights from researchers who have also used qualitative research approaches to illuminate a corporate political perspective (e.g. Viney, 2001; Lawton et al., 2013b), and from those who have started examining emerging markets using this perspective (e.g. Frynas and Mellahi, 2003; Frynas et al., 2006; Sun et al., 2010a; Sun et al., 2011; Alimadadi and Pahlberg, 2014). All this indicates the importance of engaging with other researchers, not only with regard to the output of the research itself, but also the process of research, thus enhancing the potential for ensuing contributions to knowledge.

5 Findings

5.1 Introduction

This chapter is a summary of the extensive and iterative engagement with data analysis over several months characterised by an NVivo-supported coding process and conceptualisations reflecting increasing levels of *memoing*²⁸ in the software tool (Bazeley and Jackson, 2013). The richness of the data is captured using original excerpts from the interviews and archival materials and displayed using tables, diagrams and summaries. The chapter's role hence is primarily to document the output of the operationalization of the research design presented in the previous

²⁸ This is the process of knowledge creation around a code in NVivo. It manifests itself in a corpus of memos at diverse levels of conceptualisation

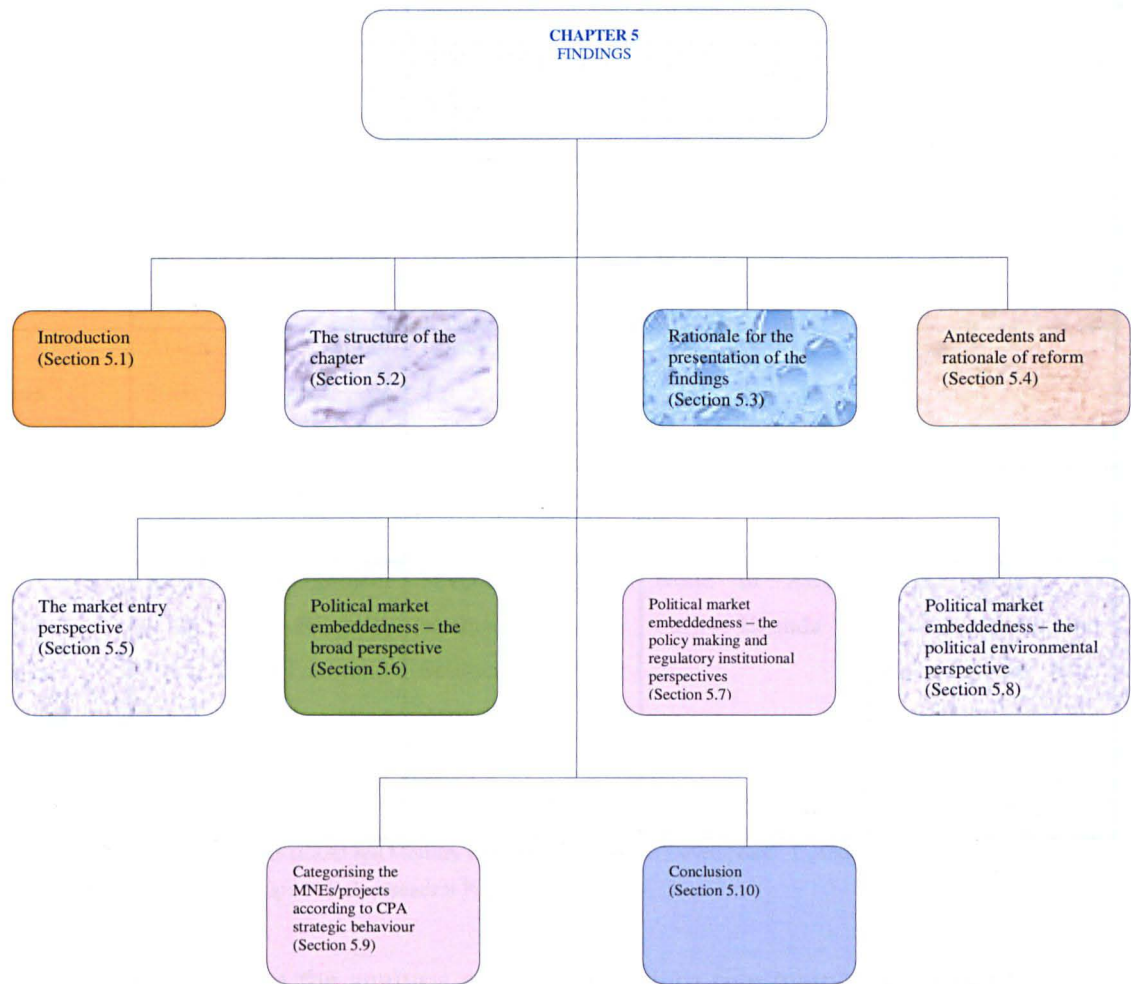
chapter. Consequently, the chapter forms the basis for the research interpretations and discussions in chapter 6.

5.2 Structure of the chapter

Following the introduction in subsection 5.1 above, the chapter proceeds with an explanation of the rationale for the presentation of the findings in subsection 5.3. Ensuing subsections capture the findings in different categories as thus: 5.4 - Antecedents and rationale of reform, 5.5 - Market entry perspective, 5.6 – Market embeddedness from a broad perspective, 5.7 – Market embeddedness from a policy making and regulatory institutional perspective, 5.8 – Market embeddedness from a political environmental perspective, 5.9 – Categorising the firms/partnerships according to CPA strategic behaviour and finally 5.10 – Conclusions to the findings.

The map below further visualises the sections in the chapter.

Fig. 5.1: Map of Chapter 5



5.3 Rationale for the presentation of the findings

The findings presented here are the conclusions from the final outcome of the NVivo-supported and coding-based analysis strategy explained in chapter 4. They resulted from an evolutionary process that witnessed ever deeper interrogation of the data to extract *verstehen*. Table 5.1 below offers an overview of the profiles of the cases in the study as part of clarifying the context for presenting the findings.

Table 5.1: Summary of case profiles

Parameters	Research case			
	Pisu/Energy Global	Frinam	Prolux	Avin
Year of market entry	2005	2003 (pre-entry 1999)	2007	2003 (permit for cogeneration)
Home country	Kenya/USA	Republic of South Africa	Norway	Uganda
Type of project	PPP (IPP in previous project)	Hybrid PPP	IPP	IPP
No. of employees²⁹	About 120 (about 2000 at peak of construction)	About 115	About 40	About 50
Generation capacity (MW)	250	380 (old dam plus extension)	13	51
Other electricity projects in Uganda and Africa	Ruzizi dam project (DRC, Rwanda, Burundi and Tanzania)	Several projects of various forms in Southern and West Africa	None in Africa outside Uganda	Sugar projects in Southern Sudan and Rwanda that have potential for electricity cogeneration

Source: Electricity Regulatory Authority (ERA) and Ministry of Energy and Mineral Development, Uganda

Legends: PPP (Public Private Partnership); IPP (Independent Power Producer)

The main conclusions from the analysis are structured into five main categories (A-E). Table 5.2 below provides an overview of these categories, the core findings under each and examples of the CPA that is associated with them.

²⁹ These are estimate figures of the core staff, not including the wider circle of part-time staff, contractors and diverse non-skilled labour.

Table 5.2: Overview of the findings

Results category	Core findings	Examples of observed CPA
A: Antecedents and rationale of reform (Section 5.4)	<ul style="list-style-type: none"> - Major influence of the World Bank - Response to global paradigmatic shifts, e.g. pro-market reforms 	<ul style="list-style-type: none"> - Some pre-entry activity by Frinam - Avin's early influence on reform precursors through the Bujagali I project
B: Effects from market entry choices (Section 5.5)	<ul style="list-style-type: none"> - Implication for scale and scope of access to key political actors - Implication for market embeddedness - HQ-Subsidiary relationships, contractual choices and home country effects as key factors 	<ul style="list-style-type: none"> - Proactive exploitation of privileged access to home and host governments to favour entry (Frinam) - Extensive preparatory work in the local community to win political stakeholdership (Pisu/Energy Global)
C: Political Embeddedness in the host market (Section 5.6)	<ul style="list-style-type: none"> - Diverse multi-stakeholder approaches - Nurturing and exploitation of social and political capital - Choices between proactive, combined and reactive political strategies 	<ul style="list-style-type: none"> - Overcoming liability of foreignness through locally-oriented HR strategies (Prolux) - Nurturing relationships with grassroots organisations like CBOs and investing in people-friendly social projects (Pisu/Energy Global)
D: Institutional perspectives (Section 5.7)	<ul style="list-style-type: none"> - Diverse assessments of the institutional context - Diverse responses to the stage of institutionalisation 	<ul style="list-style-type: none"> - Decisions to support or resist institutionalisation depending on judgment about implications for embeddedness - Choice between proactive or reactive support/resistance to institutionalisation
E: Political environmental considerations (Section 5.8)	<ul style="list-style-type: none"> - Implication of political value of electricity sector - Evolving balance of power between different arms of government 	<ul style="list-style-type: none"> - Review of political strategies to address changes in relationships between arms of government (Frinam) - Responses to growing government preference for Chinese state-supported EMNEs

The findings effectively represent in-case analyses (individual cases) which then inform the cross-case analytical perspective (comparison of cases) in the discussion chapter. The five categories (A to E) introduced above are henceforth expanded using tables, figures and examples of supporting evidence. Because of the limitations of the prescribed volume of the PhD, only the key conclusions from the findings of each case are presented here in form of synthesised and integrated statements in the

tables.³⁰ Footnotes are extensively used to illustrate the underlying data materials that supported the making of the conclusions as part of the analysis described in the previous chapter. Further evidence to support the conclusions is available in Appendix 7.

5.4 Findings category A: Antecedents and rationale of reform

5.4.1 Introduction

This first category of the findings summarises some key issues which influenced the choice of the model of reform by the Ugandan government for the sector. It captures some of the debates that transpired in the pre-reform years from around 1995 to 1999 leading to a strategic plan for the sector.³¹ The understanding of the political ramifications of these debates and the ensuing plan was a useful element in the corpus of knowledge necessary for making the appropriate market entry and embeddedness decisions. The category therefore helps to clarify the broader context surrounding the reform and its relevance for the political evolution of the sector. It also helps to illuminate the institutional and corporate political behaviour observed farther along the reform path in this study.

5.4.2 Summary of the findings for category A

The findings expose the pre-reform stage as a concentration of theorising and debating the possible approaches to and the potential outcomes of the proposed pro market reform. The World Bank emerges as an influential actor given its traditional project funding role in the country's energy sector. While it argued for a full

³⁰ The maximum word limit under the regulations guiding this PhD at The Open University is one hundred thousand.
³¹ D008

competition-oriented reform model, the Ugandan government, in contrast, preferred a 'phased approach' that would allow for more time for adaptation to the reform.

Many of the issues under this findings category are variously drawn on in the discussion in chapter 6. Uganda's experience exemplified the diverse pressures that new emerging markets needed to accommodate in embracing pro-market reform characterised by the privatisation of key sectors of the economy (Bigsten and Durevall, 2003). There was substantive uncertainty though about the political and socio-economic implications of the impending changes, tempting the governments to seek to retain a substantive level of control (especially over tariffs and end consumer prices) as illustrated by Uganda's insistence on a 'phased approach' and as underlined by researchers like Bremmer (2009).

Putting the pre-reform phase in broader political and institutional context, here is how an academic and analyst in the sector comments:

Well, you can locate the changes that took place in the electricity industry right from the late 80s/early 90s. That was a period of huge reform, not only in the electricity industry, but also generally in the way all utilities are run. The thinking was that government should get away from business to free resources for other pressing development needs.³²

Government was hence under pressure to introduce reforms that would free it from paying subsidies to the corresponding sectors, thereby releasing resources for other urgent development needs. This however was a hard decision for the government to

³² 1001, 1002, 1005, 1012

make given the political value of the electricity (and other utility) sectors and the natural need to want to retain control (Jamasb, 2006; Keating, 2009; Mawejje et al., 2012). But it ultimately succumbed to an emerging trend globally as reflected by pioneer reforms in Chile, the UK and New Zealand, for example (Bacon, 1995; Bacon and Besant-Jones, 2001).

One other respondent who had been a manager at the state-owned monopoly (UEB) and later joined the unbundled distribution sector comments thus:

In the first three years, Umeme (the predominant power distributor) had such goodwill because of the impact of deregulation in the telecom and banking sectors.³³

The reform in the electricity sector was therefore an ingredient of wider reforms in the country, not least in response to global ideological shifts and emerging neo-liberal thinking about a multi-polar world order. Positive experiences in the telecommunications and banking sectors raised hope of a replication in the electricity sector. The reforms were also a precondition for multilateral financial assistance as the same respondent above argues:

And these reforms were spearheaded by the World Bank. In fact the World Bank provided a lot of funding. I can say the reforms are the baby of the World Bank.³⁴

As further evidence of how much the World Bank was involved in laying the foundation for the reforms, below is an exchange between the bank and the relevant ministry shortly before reform (Ministry of Natural Resources, 1997).

³³ I001, I002, I005, I012,

³⁴ I001, I005, I006, I019, I024, D002, D005, D008

A fundamental issue to be addressed is the proposed structure of the power sector as it will have important implications on the level of competition and the legal and regulatory framework. In other words, regulation will be needed to the extent that competition is not possible or included as a pivotal element of the structure. Our view is that the proposed government objectives of improving efficiency and the delivery of services in the power sector on a sustainable basis, and expanding access of the population to the electricity supply at reasonable prices, can be more effectively met through fostering competition rather than relying on regulation. [Senior World Bank Official]

Fundamentally, we agree. However, although the MNR is committed to the development of a competitive power market in Uganda in the long run, it is keenly aware that the need for improved efficiency and delivery of services in Uganda is an immediate one.³⁵ Therefore, the MNR recognizes that it cannot institute a plan of immediate full competition. It is for this reason that the MNR has adopted what it terms as a phased approach and why it has maintained the flexibility to review progress at each stage of the implementation programme. As shortfalls are eased, a competitive market in generation will emerge. Realistically, competition in transmission and distribution will occur only in the distant future. [Minister]

The current circumstances in Uganda require that there be a gradual transition from the early stages of restructuring, where MNR will be closely involved in the development of regulatory powers and a regulatory authority, to a period where the Uganda Power Sector (UPS) is regulated by an increasingly autonomous, independent regulatory authority, and eventually continuing on to a further period

³⁵ MNR = Ministry of Natural Resources (Responsibility has since been assumed by the Ministry of Energy and Mineral Development)

*where the need for regulation diminishes over time in correspondence to the development of a properly functioning market.*³⁶ [Minister]

The World Bank hence emerges as a major force behind the push for reform in this and other sectors in the economy. In this particular exchange, the bank was pushing for an immediate full-competition model of reform while the Ugandan government preferred what it called a 'phased approach'. The strong push by the bank also had the side effect of making it seem like it was in charge and not the government. With an image of inadequate regard for contingent realities in developing countries while administering borrowing conditionality, the bank faced some political resistance to its proposals. But these were ultimately accepted out of desperation and lack of funding alternatives (Pender, 2001; Linaweaver, 2003).

5.5 Results category B: The market entry perspective

5.5.1 Introduction

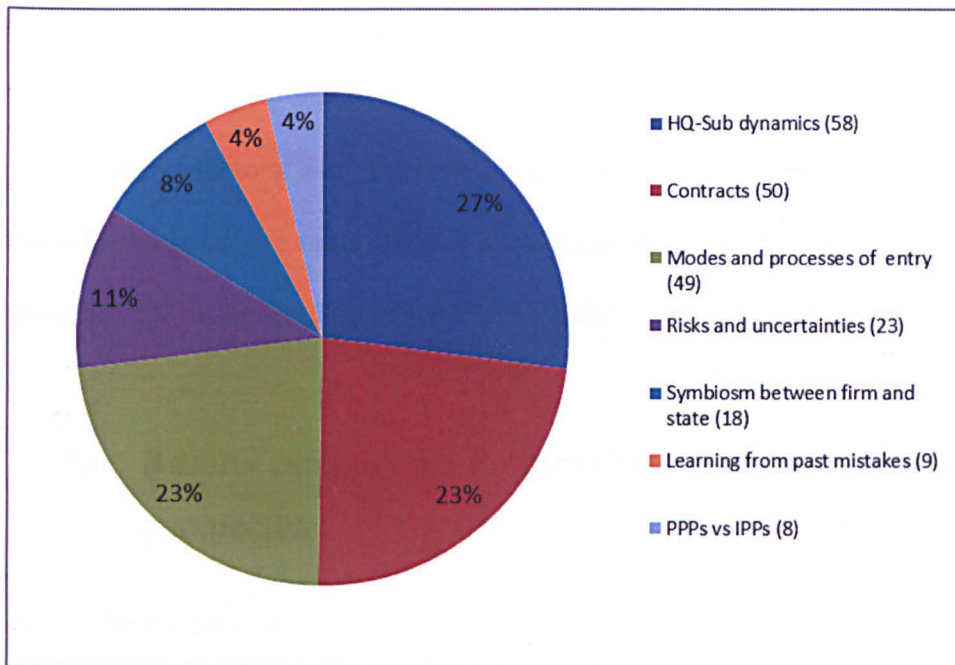
This category of the findings summarises perspectives based on decisions surrounding market entry. The primary role of the category therefore is to inform the broader strategic context in which to consequently interrogate the corporate political and institutional issues surrounding market embeddedness as the focus of the study. Since this is therefore a supporting function, only the key findings identified as critical to the ensuing market embeddedness are presented.

³⁶ I002, I006, I012, D008

5.5.2 Summary of findings for market entry

The most important issues that emerged here are captured under five main sub-categories (*market entry mode, contractual negotiations and related issues, HQ-subsubsidiary dynamics and home country effects, risks and uncertainties and finally the extent of symbiosis between MNEs and governments*). The pie chart (Fig. 5.2) below illustrates these issues using their relative importance in the findings.

Fig. 5.2: Empirical grounding in NVivo for market entry (N = 215)³⁷



Decisions on all these aspects were ultimately important for determining the scale, the scope and the nature of market embeddedness from a CPA perspective. MNEs that took off time to contemplate the long-term implications of their decisions were generally more successful at getting embedded than those that did not adequately engage with this preliminary, anticipatory behaviour.

³⁷ The numbers in brackets reflect the frequency against which a code was empirically grounded based on interview transcripts, field notes and key archival documents.

On the whole, the most influential market entry perspectives that affected CPA were the nature of the HQ-Subsidiary relationship and the home country effect, the type of contract (and its negotiation dynamics) and the mode of entry. These factors were in turn affected by the extent of symbiosis between MNEs and the host and home governments. The symbiosis between Frinam (as the first mover entrant) and the host and home governments was particularly prominent in the sector, leading to a strong formative impact on institutional emergence and political behaviour in the early years of reform. Decisions concerning the strategic partnership between advanced country MNEs and EMNEs were also substantially important.

These entry factors are selectively drawn on in explaining political market embeddedness as the more central consideration in this research and in eliciting a more holistic understanding of CPA in Uganda's electricity industry.

5.6 Results category C: Political Market Embeddedness – the broad perspective

5.6.1 Introduction

After summarising the key strategic issues surrounding market entry above as a prelude, this section proceeds to capture the key findings concerning market embeddedness itself. Following Sun et al. (2010a), the research here takes political market embeddedness to mean a *'firm's social embeddedness, with special reference to political actors and institutions'*. It accordingly manifests itself both at an interpersonal managerial level and at an inter-organisational (especially between firms and institutions) level. The insights about political market embeddedness constitute the major thrust of the corporate political perspectives that inform the

relevant subsections in the discussion chapter. The most important issues that emerged were ultimately captured under the following four main sub-categories:

- Stakeholder engagement
- Local embeddedness
- Social and political capital
- Understanding Africa.

These sub-categories were identified using the coding procedure and the node tree mapping explained in the previous chapter.

5.6.2 Overview of the findings on the broad perspective on political market embeddedness

This is the category that constitutes the backbone of the study. The earlier findings under market entry serve to inform this category and to give it a broader contextual perspective. The key factors that emerged out of an empirical grounding using NVivo were, in order of importance, stakeholder engagement, local embeddedness, social and political capital and understanding Africa. These are presented for each case, illustrating how they reflected the approach to CPA. Stakeholder engagement and local embeddedness are particularly evident in the Pisu/Energy Global case reflecting the political complexities of large dam projects in developing and emerging markets. Frinam on the other hand represents behaviour emanating from market entry and embeddedness rooted in closeness to the mother and host governments. Prolux stands for an advanced country MNE whose behaviour is related to considerations about its mother government's development aid policies in the host market. Finally Avin represents a home-grown EMNE exploiting historical embeddedness in social and political networks in the country while examining new emerging opportunities. The insight from each case under these grounded factors serves to inform the finer-grained

examination of the institutional and the political environmental perspectives that ensues.

5.6.3 Key findings on the broad perspective on political market embeddedness

The section now proceeds to present the main findings under this central category, deploying tables to capture the key conclusions under each subcategory as informed by the analysis in the previous chapter. Under each table there is then a compilation of representative evidence consisting of core excerpts from interview transcripts and archival documents.

For purposes of this research, 'local embeddedness' is taken to refer to the degree to which a project engages with or is immersed in the hosting community and its institutions reflecting a successful political strategy. A key justification for this immersion was a requirement by many lending agencies that dam developers in emerging markets needed to provide evidence of 'broad community support' as a pre-condition for getting funded. This therefore obliged the developers to engage in activities that would motivate community support.

The pie chart below displays the most prominent factors under this category thereby enhancing the visualisation of the findings. Thereafter the key conclusions for each factor and case are presented in tables as explained earlier, pending discussion in the next chapter.

Fig. 5.3: Empirical grounding in NVivo for political market embeddedness

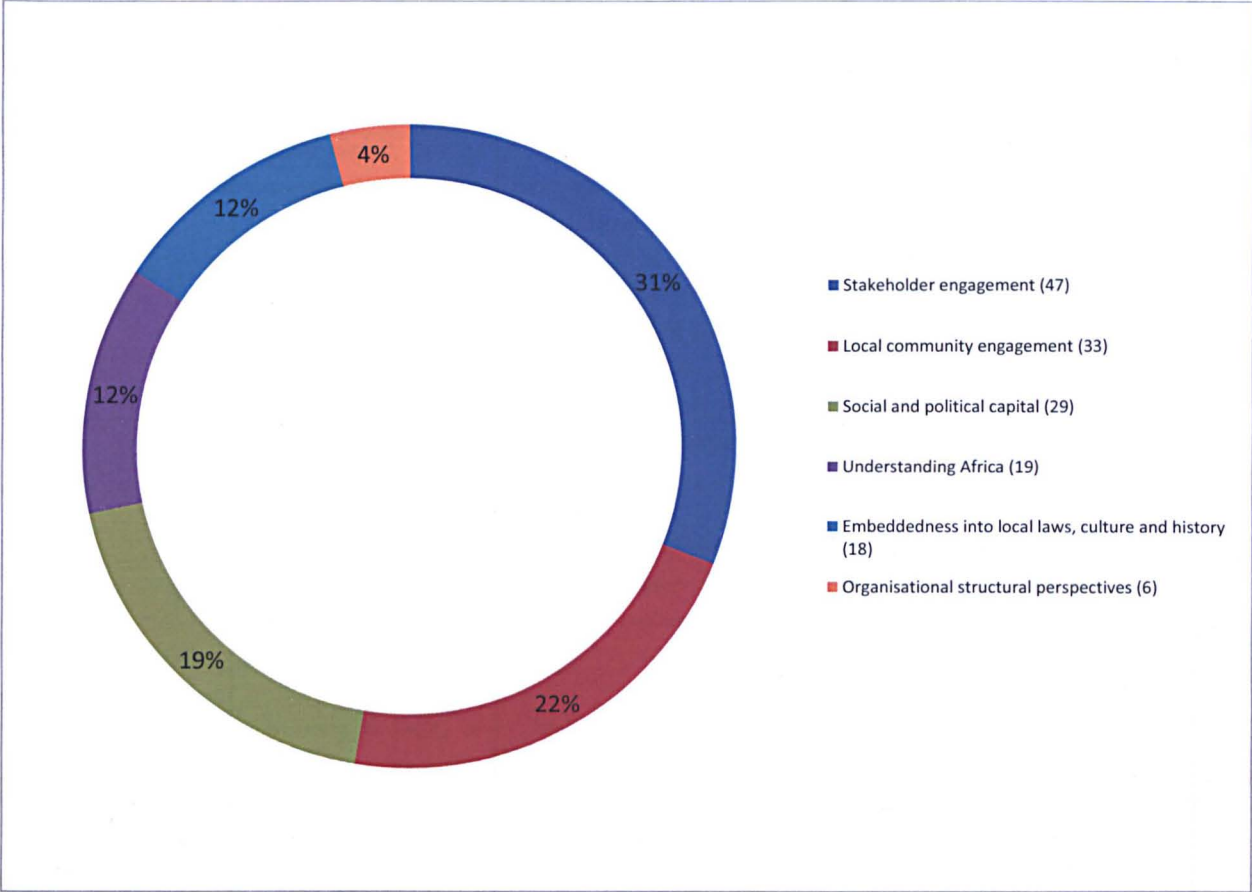


Table 5.3: Main conclusions about stakeholder engagement

Market embeddedness perspective	MNE cases			
	Pisu/Energy Global ³⁸	Frinam ³⁹	Prolux ⁴⁰	Avin ⁴¹
Stakeholder engagement	<ul style="list-style-type: none"> - Made explicit effort to improve on the predecessor project through a stakeholder re-engagement strategy, especially at local community level - Paid special attention to local and international environmental stakeholders - Developed capabilities to manage a multiplicity of stakeholders at the local government level - Activated a synergy of strategic stakeholder management capabilities between the joint venture partners - Deployed politically and socially well-connected managers and key staff to strengthen the multi-stakeholder management strategy 	<ul style="list-style-type: none"> - Developed the industry foundation in dealing with unionised workers - Accommodated the host and home governments as the most important stakeholders based on the firm ownership structure and entry mode - Deployed a stakeholder remapping strategy after two hostile parliamentary reports - Applied an anticipatory strategy in positioning itself to become the leading developer of rural electrification in later years 	<ul style="list-style-type: none"> - Deployed a highly adaptive strategy based on compliance in dealing with key institutional and political actors in the host market - Paid special attention to local community stakeholders using a consultative and participatory approach - Crafted a locally-oriented HR strategy as the vehicle for strategic stakeholder engagement - Executed a proactive strategy to get embedded in the home government's development aid network for Uganda 	<ul style="list-style-type: none"> - Benefitted from an extensive stakeholder network based on a historical presence in the country - Leveraged some stakeholder management lessons from the failed partnership with AES in the Bujagali I project - Experienced resistance from government stakeholders in the early years of cogeneration - Started exploiting national political connectedness to expand international stakeholder engagement
Key insight(s)	Consistent integration of global and local political capabilities to satisfy diverse stakeholders with complex and evolving needs.	Extensive exploitation and leverage of high profile, continentally-oriented political stakeholdership. Resistance by other political stakeholders at later stages forced a development of broader capabilities.	Development of extensive capabilities based on evolution into the benchmark for a highly localised compliance to rules.	Exploitation of historically-rooted political stakeholder management capabilities to overcome resistance to cogeneration in the early years.

³⁸ I002, I005, I006, I007, I012, I019, I025, I036, I037, D005, D018-D024³⁹ I002, I010, I011, I012, I013, I014, D002, D003, D040⁴⁰ I015, I016, I019, I028, I021, D017, D018, D036⁴¹ I017, I018, I023, I032, D030, D031, D041

The main conclusions about stakeholder engagement, as captured in table 5.3 above, are henceforth illustrated by some core excerpts as outlined below for each case:

Pisu/Energy Global

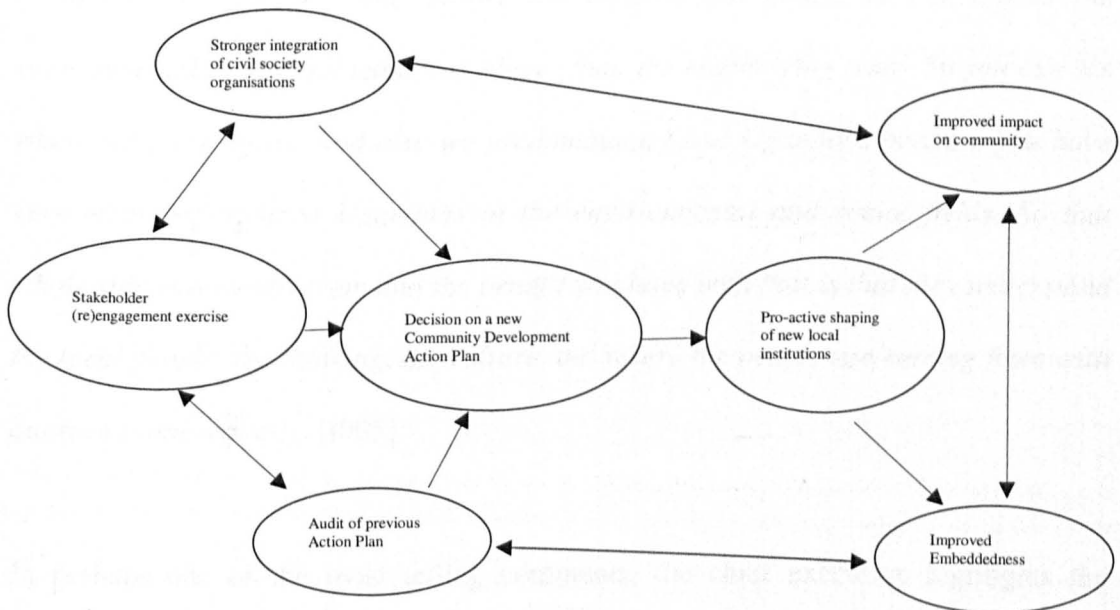
In some important ways, the old project had compromised key stakeholder relationships as shown in the excerpt below. The excerpt is from a letter by International Rivers to the international consultant for the project appointed by the government of Uganda, suggesting that there were some ethically questionable practices by the previous developer while trying to gather evidence of support for the project:

The resettlement debate has also brought to light several disconcerting issues concerning transparency in the consultation process. According to some potentially affected residents, promises were made by dam officials in return for their support for the project. The Local Commissioner of Jinja (LC5) brought this issue to the attention of the Minister of Natural Resources. The two met with the executive cabinet of the LC 5 in August of 1997 to discuss the site of the proposed hydroelectric power plant at Budhagali Falls. [D001]

The approach to stakeholder re-engagement pursued by the project is illustrated in

Fig.5.4 below. It reflects an awareness of the need for a stronger multi-stakeholder perspective in the political strategy.

Fig. 5.4: The Bujagali II project stakeholder (re)-engagement map



(Based on researcher's interpretation of activities)

In explaining the stakeholder engagement issues at community level, one lead manager with the project had this to say:

One thing that made it rather complicated (with the local government) is that there were so many stakeholders to deal with, from LC 1 level right up to the district. With central government it was and is much more straightforward and there were hardly any major problems. But there were really issues at the local level. [I006]

Pisu's understanding of the region and how to approach community level challenges proved substantially useful. Accordingly, the project's chief executive had this to observe:

I think I can also say that during the construction phase, in our offices the environmental and social team was bigger than the engineering team. So you can see where we put a focus. And also we predominantly had Ugandans because you have very many experienced Ugandans in the environmental and social fields. So that whole side was run by them and the benefit you have with that is that they understand the local people, the thinking, the culture and where the people are coming from with questions and requests. [I005]

In perhaps one of the most telling comments, the chief executive highlights the importance of developing consistent 'stakeholder relationships' with key people, particularly in institutions that were bound to experience political change.

I have been involved with some projects in the other countries like DRC. You go some good distance with the people involved and then there is a sudden change at the Ministry of Energy. And you lose that continuity and then have to start from scratch again. So that was critical here as Sam has been in the Ministry for many, many years and James as well.⁴² And there may be political changes, I think we've had three Ministers of Energy since construction, but the core people in the Ministry of Energy have remained and that has been a success. [I005]

⁴² Names changed for this study

Frinam

As the sector grew, it became increasingly clear that it was strategically important for Frinam to refine its stakeholder engagement strategy. Here is how a leading manager explained the need for change, particularly in response to a hostile parliamentary report:

We are instead rising up and saying let's take this as an opportunity to engage the people in the form of largely educating, creating awareness, sharing information ... So all we are saying is let's then engage all the stakeholders because they are key stakeholders ... From our communications map we are saying let us just embrace this opportunity. All we do is basically provide all the information in its rightful, complete form with the hope that objectively someone knows the facts. Then maybe they will be able to take the right decision. [I010]

Another lead manager argued:

At any one time Frinam is out with the crowd, engaging different people. Don't forget that we employ artisans or what we call blue-collared people. Engineers, technicians and all those. These are highly unionised people. So at any one time we have to make sure that we have good relations with the unions and that our people's rights at our installations are observed. [I011]

But for us at Frinam we realise that we could even engage further, we could be heard better if we put ourselves under some kind of umbrella organisation ... and formed an industrial lobby group. So to this end we formed what we called Electricity Generators and Distributors Association of Uganda (EGADAU). And it is through EGADAU that we intend to carry out most of the hard-nosed stakeholder interfaces

and engagements. At the end of the day we are not in a sector that is clear cut. So when you form such a body, you can have a voice that is larger than you alone.
[I011]

Prolux

Here is how the Energy Attaché in Prolux's mother country's embassy in Uganda comments on her government's engagement in the energy sector:

We have cooperated in the electricity sector with Uganda for so many years; and I think Norway and Uganda's cooperation actually facilitated this Electricity Act So we see that Uganda is more advanced than most of the neighbouring countries, mainly due to the Electricity Act way back in 1999 that laid the ground. [I016]

The project's documents underline the community-oriented focus (with particular attention to vulnerable social segments) thus:

...Prolux was (and is) co-operating closely with the Local District Government in Kasese and the local communities. A community development program was prepared.... Particular attention has been given to programs which benefit women and children. [D017]

An internationally-funded research study on the project's impact on local employment patterns observes:

The project's emphasis on high standards of social and environmental performance and, in particular, its participatory and consultative approach to implementation is already being looked to as a model for other projects in Uganda. [D018]

Avin

Here is how a senior member of the Avin founding family remembers returning to Uganda in 1983 to rebuild the family investment after the overthrow of General Idi Amin, who had deported all Asians in 1973:

Uganda is our identity....We have lived here for three generations. It's a challenge to come back to a country you love so dearly and do something for it. [D041]

Here is what another member of the family says about a new role for the family in an address to a UK-Ugandan Investment Convention in London: ⁴³

It is indeed an honour for me as a third generation Ugandan woman of Asian origin to have been invited to this gathering to share with fellow diasporans trade, investment and tourism opportunities. However it is an honour and privilege that I have been trusted to represent Uganda in France, Spain, Portugal, UNESCO, OECD and BIE. I thank H.E. the President and the people of Uganda for this trust. [D012]

This is how a senior executive comments on the extent of Avin's stakeholder engagement strategy:

Annually, there is a joint review with all stakeholders: consumers, producers, distributors and government; then we have a forum for interacting and exchanging views; how to meet the challenges and how to improve on them generally in the country. Then we have a number of workshops, seminars, and a number of

⁴³ Reflecting the political connectedness of the family, this member is now Uganda's ambassador to a key European country

interactions where we exchange ideas and views. And we also tend to contribute by writing reports to the regulator. [I017]

Table 5.4: Main conclusions about local embeddedness

Market embeddedness perspective	MNE cases			
	Pisu/Energy Global ⁴⁴	Frinam ⁴⁵	Prolux ⁴⁶	Avin ⁴⁷
Local Embeddedness	<ul style="list-style-type: none"> - Rolled out a new community development program as part social and environmental impact awareness - Facilitated by this program to get locally embedded - Cited regularly as a global model of successful social and environmental consciousness by an MNE - Benefitted from Pisu's historical understanding of the region through its mother company's wider projects - Succeeded in creating a high sense of co-ownership in the community 	<ul style="list-style-type: none"> - Influenced by imperatives of closeness to home and host governments - Pressed increasingly to do more for the host community, especially in light of low electrification levels - Benefitted from a low profile nature of social and environmental issues of the old dam - Benefitted from extensive experience in the home market in getting embedded in impoverished communities through rural electrification 	<ul style="list-style-type: none"> - Developed a focussed community development program with high local buy-in and which became the benchmark for the small to medium size dam sector - Avoided a proactive engagement with and dependence on political actors - Evolved as a compliance-oriented player benefitting from a fully local HR team 	<ul style="list-style-type: none"> - Benefitted from a strong track record of community engagement in the hosting region⁴⁸ - Recognised with the three leading national CSR awards for outstanding socially and environmentally-sensitive development - Needed to develop political capabilities to adapt to a changing sugar industry that saw more market entrants in the hosting region - Evolved as the benchmark for electricity cogeneration
Key insight(s)	Adaptation of global political capabilities to the specific requirements of local embeddedness.	Adaptation of continentally-oriented political connectedness to the specific requirements of local embeddedness.	Embeddedness based on compliance, HR policy and local community buy-in.	Integration of historical embeddedness with new capabilities for an evolving market.

⁴⁴ I005, I006, I007, I019, I025, I029, D005, D009, D010

⁴⁵ I002, I005, I010, I011, I013, I014, D011, D037, D040

⁴⁶ I015, I016, I019, I021, I028, D017, D018

⁴⁷ I017, I018, I022, I032, I041, D025, D026, D035, D038, D039

⁴⁸ A major initiative was KORD (Kakira Outgrowers Rural Development Fund), which was a joint venture project between Avin and the Busoga Sugar cane growers association, aiming to drive rural development by enabling farmers to access loans and by promoting rural infrastructure projects (D025).

The main conclusions in table 5.4 above are henceforth supported by some core extracts, as outlined below. Broader evidence for this local embeddedness perspective can be found in Appendix 7.

Pisu/Energy Global

The level of local engagement undertaken by Pisu/Energy Global was unprecedented for MNEs in Uganda.⁴⁹ Here are some key points by the GM of the project:

Our focus was mainly on two national institutions and how they operated locally. There was NWSC⁵⁰ where we went in and facilitated the construction of water lines on both sides of the river ... The other area was rural electrification. We teamed up with REA⁵¹ and have funded the extension of electrification on both sides of the dam....But then locally, what we went in for is medical facilities ... The other one is schooling ... An additional issue was Microfinance We have also established business centres on both sides of the dam. [I005]

On engagement with the local community, the project's Social and Environmental Assessment report notes:

Information to the communities has been disclosed in a culturally appropriate manner. This has involved the conduct of meetings/presentations in the local language; the preparation and distribution of a project newsletter in the local language; the use of local language radio stations to advertise meetings and to notify the release of information materials; the engagement of local community leaders to assist in the meetings. [D005, p.279]

⁴⁹ According to the project website, management set out to spend US\$ 2.4m on various community-based activities, indicating the strategic importance attached to the matter.

⁵⁰ National Water and Sewerage Co-operation

⁵¹ Rural Electrification Agency

A former senior employee suggests nevertheless that the previous developers had overstepped themselves and that the new developers needed to be more realistic:

These new guys learned from the failed project. They learned not to offer too much and not to dish out money just like that. They really controlled their budgets. In fact, the project ended up returning some money that had been borrowed because not so much was dished out to the communities as was the case in the earlier project. We only used about 60% of what had been foreseen. [I006]

Frinam

A senior executive comments thus about the low electrification rate:

We feel in every part of the community where we work we want to make meaningful impact, and we are in a community where we are making a product that maybe only 15% of your local community are consuming. Then you have to find a way to cover the other 85%, through some type of benefit and showing good neighbourliness. [I010]

In the communities where we operate and where we have bases, there are adjoining communities from where we pick some of our employees; where some of our employees reside; areas that are happy to host a strategic power installation. They expect certain amenities to come courtesy of corporate social responsibility. [I010]

On a visit to the subsidiary in Uganda, the mother group's chairman had this to say:

If anything, South Africa's example would be good for Uganda to emulate. At least 86% of South Africans have access to electricity compared to less than 15% of Ugandans. That would only come about with better planning processes. [D040]

Prolux

The MD comments thus:

We made it clear right from the beginning, I remember in 2008, that we don't want people who want to deal with the project with political motives. We deal with it, if it is compensation or what, we don't have to see the community to see that there is a certain politician working for it, no. [I015]

The strategic project brief underlines one of the key social considerations of the project thus:

Particular attention has been given to programs which benefit women and children.

[D017]

Avin

Some of the main evidence for Avin is contained in speeches by its lead managers while accepting the three leading CSR awards in Uganda: Overall 2013 CSR Award, Best Environment Program Award and Best NGO/Business Partnership Award.

[D025]

A senior manager commented thus about local support (reflective of depth of embeddedness) for the project:

Politically, we get that support. We wrote to the president through the local government in Jinja. We have full support. [I017, I018]

Table 5.5: Main conclusions about social and political capital

Market embeddedness perspective	MNE cases			
	Pisu/Energy Global ⁵²	Frinam ⁵³	Prolux ⁵⁴	Avin ⁵⁵
Social and political capital	<ul style="list-style-type: none"> - Benefitted from the historical social and political capital of Pisu's mother company in the region - Benefitted from Energy Global's political capital internationally - Leveraged the political and social capabilities of a well-informed and experienced project team - Established and nurtured complimentary strategic thinking with core institutional actors - Benefitted from earlier experiences with a rural electrification project in northern Uganda 	<ul style="list-style-type: none"> - Benefitted from being highly politically connected as an SOE in the home country - Benefitted from being highly politically connected as the official partner for the host government in implementing industry reform - Accrued political capital from being an attractive partnering firm for NEPAD's⁵⁶ Africa strategy in the energy sector - Leveraged the social and political capital acquired from other African markets 	<ul style="list-style-type: none"> - Benefitted from an HR strategy that ultimately resulted in a fully local staff - Enhanced its strategic status by becoming the benchmark in the small- to medium-size dam sector - Benefitted from direct access to the home country embassy through a former senior manager who was now the Energy Official at the embassy - Emerged as a managerial role model project by being one of only two projects led by a female CEO 	<ul style="list-style-type: none"> - Leveraged extensive social and political capital based on a long history in the market - Benefitted from high adaptability to political turbulence - Leveraged some strategic networks from advising government in the pre-reform years as the local partner of AES in the first Bujagali project - Evolved into the benchmark firm for the cogeneration market segment
Key insight(s)	Integration and leverage of global and local social and political capital.	Exploitation of a fast-growing social and political capital based on high profile linkages all over Africa.	Exploitation of the social and political capital of the local HR team and linkages with the home government's development policy.	Leverage of historical social and political capital to develop a market innovation and capitalise on its opportunities.

⁵² I005, I007, I025, D009, D016; some insights from studying the biographies of lead managers⁵³ I001, I010, D011, D017, D048⁵⁴ I015, I016, I019, I021, I028, D017, D036⁵⁵ I017, I018, I032, D025, D030, D031⁵⁶ The New Economic Partnership for African Development (NEPAD) was a major economic development initiative spearheaded by the African Union and particularly supported by South Africa.

The main conclusions on social and political capital, as presented in table 5.5 above, are henceforth supported by some core extracts, as outlined below for each case:

Pisu/Energy Global

The Pisu-based lead manager for the project recollected thus:

In my previous life I was a consultant, and when I was a consultant I also worked on a paper on the unbundling of the electricity sector in Uganda. So the truth is that you have landed on a person who has been playing for the future form of the power sector in Uganda. [I007]

The General Manager reviewed his experience as follows:

Respondent: *I have been in Mali, I have been in Mozambique, and I have been in Zambia*

Interviewer: *That must have been a major advantage for you.*

Respondent: *I believe it was. I think it is important to understand where people are coming from. I also found it as a result of working with people at Pisu, with John (name changed – Pisu-based lead manager above) and those other guys because we think the same. [I005]*

Pisu's assessment of itself at a regional electricity sector workshop:

Local partner with international outlook

– Knowledge of local conditions

- *International outlook (extensive project experience & contacts, vital link with expertise and capital)*
- *Has confidence of international investors/lenders (Hence catalytic role – enhances profile of countries).* [D009]

Frinam

A lead executive at Frinam assessed the situation thus:

Frinam, yes, it is a government-owned utility in South Africa; but the way it is set up is that there is autonomy and independence in its strategic objectives and direction. So the ownership is more at arm's length; and there is very minimal interference from the ownership, which is government. It runs very much like a firm; just like any profit-making organisation that reports to the board and the government is like more of a board or a stakeholder and shareholder. [I010]

None of the other entrants in the Ugandan market enjoyed such a strategic political capability combination. The advantage was so extensive that one of the bidders for entry made a complaint, as reported in the words of an executive below:

In 2003, February, the generation concession commenced. The three bidders were TATA, Frinam, and another company, I think from Spain; this was reasonable but the TATA people kept on bickering. They kept on saying the thing had been given to South Africa. Well, it is possible that that happened. Why? Because they saw Ponto still in UEB and around, influencing. Instead of concentrating on actually winning a bid. Personally speaking, I think TATA could have done a good job. Frinam came in and they have also done a fair job. [I012]

Regarding the negative assessment of Frinam in a report by a parliamentary commission of inquiry into the sector in later years, here is how a senior executive articulated the company's thinking:

But of course, informally, we know that the head of the government, the head of the nation tends to apply his mind....to analyse the big picture. So informally we know that he has applied his big picture point of view. In this big picture, he seems not to agree with the reports because they are only single-minded, just chasing one thing; emotionally charged. But we know, we have even been there. We know what happens.

[I013]

Avin

Here is how a senior vice-president assesses the company's overall view of its contribution to the early years of development of the industry in Uganda, and hence its social and political standing:

As the first and only major hydro IPP, Avin International actively assisted in developing Uganda's energy policy to accommodate the generation and distribution of private electricity. Avin International was instrumental in shaping the new energy sector, advising and discussing the needs of all the countries in the region. Although AES withdrew from the project, following the turmoil after the collapse of Enron, the project will be completed as a public-private partnership, retaining the basic elements of the project that was originally conceived and developed by Avin international. [D031]

Further underlining its social and political leverage, not only in Uganda, but regionally too, the Group's Magazine observes:

The company employs over 7,500 people and has been responsible for the socio-economic development of this rural area The Avin rehabilitation is considered by the World Bank and the African Development Bank to be one of their most successful projects on the continent. It is an outstanding example of industry turnaround under private sector management. [D026]

Table 5.6: Main conclusions about the understanding of Africa by the firms

Market embeddedness perspective	MNE cases			
	Pisu/Energy Global ⁵⁷	Frinam ⁵⁸	Prolux ⁵⁹	Avin ⁶⁰
Understanding Africa	<ul style="list-style-type: none"> - Exploited Pisu's extensive knowledgeability about the social, cultural, economic and political dynamics in East Africa and other parts of Africa - Leveraged important lessons from the aborted Bujagali I project - Benefitted from extensive prior experience of the project lead managers in the host market and other African markets - Started scoping to leverage experiences from the joint venture into other African markets 	<ul style="list-style-type: none"> - Sought to get embedded in the home government's emerging strategic political networks on the African continent - Associated with the emerging NEPAD strategic network on energy policy the African continent - Leveraged substantive experience in other African markets - Benefitted from insights of a senior manager who was recruited as the last MD of the state monopoly prior to its dissolution 	<ul style="list-style-type: none"> - Relied on a local HR strategy and high autonomy to the subsidiary - Prioritised a compliance-oriented strategy that enabled close interaction with key institutional actors and hence a growing understanding of the host market - Benefitted from the home government's extensive networks in the host market's energy sector 	<ul style="list-style-type: none"> - Exploited extensive local and regional knowledgeability based on a historical market presence - Developed capabilities in managing political uncertainty and change given its historical presence in the market - Started using its base in Uganda for entry into neighbouring markets like S.Sudan and Rwanda
Key insight(s)	Refinement and expansion of the local partner's political understanding of Africa to support the project and prepare for new Africa market bids.	Leverage of a politically high profile understanding of Africa based on home country-based political dynamics.	Integration of a locally-oriented HR strategy and linkage to home country development policy.	Leverage of historical understanding to overcome years of resistance to cogeneration and to develop new regional markets.

⁵⁷ I005, I006, I007, D005, D018-24, D0047, D048, D049

⁵⁸ I002, I010, I011, I012, I013, I014, I037, I038, D002, D003, D011, D048

⁵⁹ I015, I016, I019, I021, I028, D017, D018, D036

⁶⁰ I017, I018, I022, I023, I032, I041, D013-15, D025, D026

The main conclusions about understanding Africa as captured in table 5.6 above are henceforth illustrated by some core extracts, as outlined below for each case:

Pisu/Energy Global

This quotation below, by the overall head of Pisu's mother company, suggests a deep understanding of and a proactive association with development dynamics on the African continent:

For two generations now, those who care about African development have been seeking an important key, searching for the best way to improve the quality of human life by advancing the pace of economic development. One of the most promising outcomes of that search was the creation of a new set of venture capital institutions, ready to invest in projects which traditional private investors were less likely to support. [D042]

Regarding the crucially important environmental and social impact issues in an African context, the general manager of the project explained thus:

During the construction phase, in our offices the environmental and social team was bigger than the engineering team ... And also we predominantly had Ugandans because you have very many experienced Ugandans in the environmental and social fields ... and the benefit you have with that is that they understand the local people, the thinking, the culture and where the people are coming from with questions and requests. [I005]

Frinam

The General Manager at Pisu/Energy Global, who had previously been at Frinam, reflected on his experiential background as summarised earlier (see p.157). He concludes by noting how important it is to 'understand where people are coming from'.

The strategic inclination of Frinam in penetrating the home continent is captured in the following remarks by a lead manager:

So when Frinam came here, they came here on their own pro-strategic business initiatives. Frinam used what it called Africa Strategy. Under Africa Strategy Frinam has recognised that they are best suited to power or electrify Africa, because when this Africa Strategy was put together about 60% of electricity generated in Africa was being generated by Frinam. [I010]

Prolux

Here is how a former senior manager on the project describes the local HR-oriented strategy for understanding Africa:

They (the local engineers and technicians) were sent for training to Norway and to date this guy that was the electrician is still the operations manager ... I also have a lady as managing director. She is so clever and it is so nice to see a young Ugandan as the managing director really operating a working plant here in Uganda ... And I went to the Uganda Revenue Authority, I got different answers all the time. What she did, and without anyone telling her, she went to a training course and got all the rules from there. [I016]

Avin

A senior project manager comments thus about regional internationalisation from the base in Uganda, underlining the understanding of the region:

But we were also approached by the South Sudan government, I think it was in 2009, and we were allocated 40,000 hectares of land. I think they vandalised their sugar plant during the war. So they wanted us to come and re-establish that plant because now in Southern Sudan there is nothing. You have to begin everything afresh. They have the land and we had the M.O.U signed in 2010. Then we have been in the early stages of paying for the joint-venture. We have paid for land surveying. But in the process, that is when the war broke out again and in light of the war, you can't do anything. [I017, I018]

Similarly, Avin felt confident about opportunities in Rwanda and the DRC as reported in its Group Magazine, reflecting its African market capabilities:

In 1997, the Avin Group acquired Rwanda's only sugar complex, under the government's privatisation programme. This provides the opportunity to expand in one of the group's core areas as well as a window of future entry into the lucrative markets of the eastern region of the Democratic Republic of Congo/Zaire. [D025]

5.7 Results category D: Political market embeddedness - the policy-making and regulatory institutional reality

5.7.1 Introduction

This category summarises the most important issues that emerged from an institutional perspective as part of becoming embedded in the market. It deepens understanding of the political ramifications of embeddedness in the host market, using the institutionally-oriented lens.

The issues that emerge from this perspective are structured under two major sub-categories:

- i) The institutional context/features of market embeddedness
- ii) The implications of stages of institutionalisation for market embeddedness

5.7.2 Key findings on the policy making and regulatory institutional reality of political market embeddedness

The two sub-categories introduced above reflect the results of empirical grounding of the codes using NVivo as illustrated in Fig.5.5 below, with key conclusions in tables 5.7 and 5.8 below. Further, representative excerpts from the transcripts and the archival documents for each sub-category are presented below the tables. The numbers in Fig.5.5 reflect the frequency against which a code was empirically grounded in NVivo, based on interview transcripts and key archival documents.

The findings here offer a more focussed look at the institutional perspective of market embeddedness, thus laying a foundation for the interpretations and discussion based on institutional theory further on. The four cases are assessed on two main grounds: the more generalised institutional reality, and the more specific stages of

institutionalisation perspective. The institutional circumstances that accompanied the market embeddedness for each case are hence clarified. Further, behaviour with regards to supporting or resisting institutionalisation is identified, thus illuminating the political capabilities that surround institutional emergence in an emerging economy. Finally, the differences and the similarities between AMNEs and EMNEs become more distinct in the process.

Fig. 5.5: Empirical grounding in NVivo for institutional perspectives of market embeddedness (n = 181)

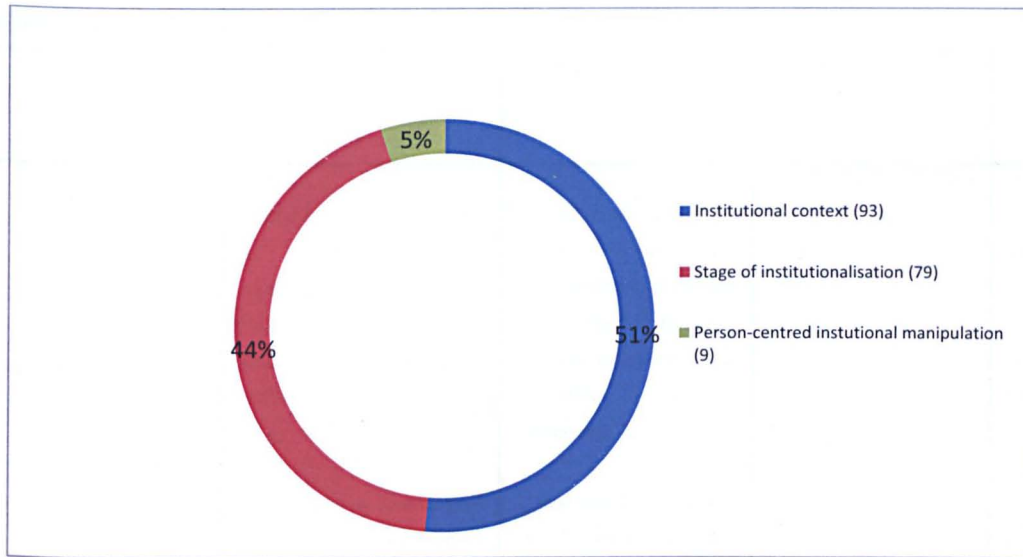


Table 5.7: Main conclusions about the institutional reality in general

Institutional perspectives of market embeddedness	MNE cases			
	Pisu/Energy Global ⁶¹	Frinam ⁶²	Prolux ⁶³	Avin ⁶⁴
The institutional reality (in general)	<ul style="list-style-type: none"> - Constituted the richest institutional issues at the local and international levels, especially concerning social and environmental issues 	<ul style="list-style-type: none"> - Attained substantive possibilities to influence regulatory policy and institutional emergence through its status as a first mover entrant close to government 	<ul style="list-style-type: none"> - Focussed on community-based institutional dynamics and a reactive strategy to regulatory rules 	<ul style="list-style-type: none"> - Benefitted from being a local firm and hence highly conversant with the institutional context
	<ul style="list-style-type: none"> - Affected by experiences from the aborted Bujagali I project and the extreme shortage of power in the country - Emerged as a benchmark for large dam projects in developing countries 	<ul style="list-style-type: none"> - Enabled to directly participate in the reform transition through a senior manager who headed the monopoly utility (UEB) shortly before reform 	<ul style="list-style-type: none"> - Benefitted from the strategic partner role of the home country in the policy and institutional development of the host country's energy sector - Evolved into an 	<ul style="list-style-type: none"> - Challenged in the early years by low government buy-in into electricity cogeneration - Leveraged important institutional experiences from the

⁶¹ I002, I005, I006, I007, I012, I025, I037, I038, D005, D018-24, I047

⁶² I001, I002, I010, I011, I012, I013, I014, I020, I038, D002, D003, D011, D017

⁶³ I015, I016, I021, D017, D018, D036

⁶⁴ I017, I018, I022, I023, I032, I041, D025, D026, D030, D031

Institutional perspectives of market embeddedness	MNE cases			
	Pisu/Energy Global ⁶¹	Frinam ⁶²	Prolux ⁶³	Avin ⁶⁴
	<ul style="list-style-type: none">- Established the local and the national institutional capabilities at the start of the project and hence determined level of support needed- Confronted by diverse local government actors and a disagreement between hosting districts and the regulatory authority concerning sharing of royalties	<ul style="list-style-type: none">- Considered informally as the successor to the disbanded state utility and hence expected by some political actors to be as accessible and subservient- Positioned to deploy sector standards and thinking from the home market, including HR development and operational frameworks	institutional benchmark case for small dam projects	<ul style="list-style-type: none">aborted Bujagali I project as a partner with a US MNE- Evolved into the institutional benchmark for cogeneration, both at regulatory and normative level in later years
Key insight(s)	Development of capability to study, understand and relate with a complex institutional context using global and local perspectives	Exploitation of closeness to government to become a leading shaper of the institutional context	Development of compliance-oriented capabilities to indirectly shape the small dam subsector as a benchmark firm	Accommodation of an uncertain institutional context in the early years and anticipation of positive change in later years

Table 5.8: Main conclusions about the stage of institutionalisation

Institutional perspectives of market embeddedness	MNE cases			
	Pisu/Energy Global ⁶⁵	Frinam ⁶⁶	Prolux ⁶⁷	Avin ⁶⁸
The institutional reality (stage of institutionalisation)	<ul style="list-style-type: none"> - Entered at Pre-Institutionalisation phase II (see Fig.12) characterised by some progress in institutional emergence but also persisting uncertainties - Orientated toward international institutional imperatives given its technical and social/environmental assessment requirements that surpassed local institutional capabilities - Evolved into a new international benchmark for community-based proactive support for institutional emergence - Affected in early stages by extreme drought affecting power generation in general putting the project under enormous pressure to be completed 	<ul style="list-style-type: none"> - Entered at Pre-Institutionalisation I characterised by substantive regulatory and broader institutional uncertainty - Influenced institutional emergence substantively in early stages as the benchmark firm for government - Challenged by a more assertive parliament at later stages concerning the legality of the circumstances of the firm's entry - Forced to perform a strategic stakeholder remapping to accommodate parliamentary and wider challenges at later stages 	<ul style="list-style-type: none"> - Entered at Pre-Institutionalisation stage II similar to Pisu/Energy Global - Emerged as a benchmark at later stages of semi-institutionalisation characterised by compliance with more standardised regulatory guidelines - The transition from expatriate managers at early stages to a fully local HR team at later stages substantively reinforced its strategic response to emerging institutions 	<ul style="list-style-type: none"> - Favoured in its capability to respond to institutional challenges by a long history in Uganda - Affected by the reversal of government's position from resistance (early stages) to support (later stages) of cogeneration. - Pursued a stronger strategy of regional internationalisation from its home base in Uganda, not least by leveraging experiences with fragile institutional contexts - Emerged as a benchmark for cogeneration at later stages, encouraging it to become politically more proactive
Key insight(s)	Attainment of a balanced mix of proactive and adaptive political capabilities at all stages of institutionalisation	High proactiveness at early stages became integrated with modest adaptive capabilities later	Highly adaptive capabilities integrated with modest proactiveness in later years	Highly adaptive capabilities with modest proactiveness translated into high proactiveness and modest adaption at later stages

⁶⁵ I002, I005, I006, I007, I012, I019, I025, D002, D003, D005, D010, D18-24, Bujagali and Joint venture partner project websites (accessed several times)

⁶⁶ I001, I005, I010, I011, I013, I014, I020, I033, I034, I040, D002, D003, D004, D008, D011, D017, Frinam website (accessed several times)

⁶⁷ I002, I015, I016, I019, I021, D002, D003, D008, D017, D018, Prolux website (accessed several times)

⁶⁸ I002, I012, I022, I032, I041, D002, D003, D008, D013-15, D025, D026, Avin website (accessed several times)

The main conclusions about both dimensions of the institutional perspective as captured in tables 5.7 and 5.8 above are henceforth illustrated by some core extracts for each case:

Pisu/Energy Global

The general manager of the joint venture comments on the regulatory and political context of entry thus:

We were working with the most recent requirements by the World Bank and IFC, a new model that they had developed. And we were the first big project that was using this model. They were pretty stringent, but we met them. At the same time, politically in the country there were people who were opposed to Bujagali for various reasons.

[I005]

He further notes:

Our focus was mainly on two national institutions (NWSC, and REA) and how they operated locally. [I005]

The Pisu-based lead manager observes:

There was strong commitment from Pisu and from Energy Global as a team that the project must be successful ... And I think the amount of effort and energy that was put in by the developers is not always understood in the country... [I006]

On the challenges to institutional emergence, a leading environmental regulatory executive observes:

A multi-sectoral monitoring team was instituted, thus facilitating follow-up and the creation of synergies among the relevant institutions. This approach was complimented by quarterly missions by donors. However, the funding (by the World Bank) for this multi-sectoral project ended in 2011 and has not been renewed since then. As a result, NEMA has not carried out its own independent and proactive monitoring since then, apart from relying on the regular submissions it gets from the Pisu/Energy Global project.⁶⁹ [I019]

Frinam

On the institutional capacity-development expectations of the government and the response by the firm, a senior executive observes:

Many times, we are asked to do more, in terms of capacity building. It is part of the mandate. 'We wanted you to come here; you have come here; share with us best practices; how it should be done'. And we can help guide the conversation as we go forward in terms of industry norms ... But also now from the other side, we are also contributing. And as we do these tariff applications I was telling you about, there is even an opportunity for us to challenge some of the regulations and say this is how it works. [I010]

Another manager comments on the support from HQ and Frinam's broader industry role:

⁶⁹ National Environmental Management Authority

And we do benefit from that relationship because we get in experts to help us where there is need ... So after working with them on those projects, those people were now able to continue with the projects without having the engineers from SA on site. But we have now also been able to develop HR skills and our people have gone to other places, UEDCL, Umeme, etc. [I014]

One industry analyst questions the transparency and the contradictions of entry:

So there are questions about how they came in. How they got the licence. And there are questions about the fact that they are a state-owned entity in their own country, but they are coming to act in a liberalised market environment. [I001]

On the firm's normative institutional response at later stages, a corporate affairs executive reveals:

But for us as Frinam we realise that we could even engage further. We could be heard better if we put ourselves under some kind of umbrella organisation ... So to this end we formed what we called Electricity Generators and Distributors Association of Uganda (EGADAU). And it is through EGADAU that we intend to carry out most of the hard-nosed stakeholder interfaces and engagement. [I011]

Prolux

A senior official in Prolux's home country's embassy states:

You have the East African community and it is still very young. Many things need to be done ... And we are also supporting stability in connecting DRC to Uganda, South Sudan and Northern Uganda. But I think in the future, if you are developing Karuma, Karagwe, and Isimba, you would have plenty of energy that could be sold. Because South Sudan is very behind Uganda. They also have the potential for hydro-power plants there, but that will take more years. [I016]

A senior institutional actor commends the project thus:

The project was one of the most compliant. [I021]

In one of the most telling stories of the emerging institutional fragility and the creativity and proactiveness needed to manage it, the MD narrates:

They (the tax advisors) mentioned that there are some civil work and consultancy services to hydro-power projects, road projects and specific bridges that are tax exempt. So that was misinterpreted and at the signing of most of our contracts the investors believed that the project was exempted ... But there is more to hydro-power projects than that... Then still also tax administration at the Authority. Today you go and they give zero-rate, tomorrow they give twenty-five, the following day you get ten. So there were a lot of inconsistencies. But now after that course I can interpret it, although I am not a lawyer. But the most recent happening this year was the double-taxation agreement. I interpreted an article (in the agreement) between Norway and Uganda, and we ended up winning that. [I015]

Avin

A project manager comments about some of the challenges of emerging regulation:

And we also tend to contribute by writing reports to the regulator. But usually, the regulator being a government institution, to change from what they are doing to what you recommend can take ages. [I018]

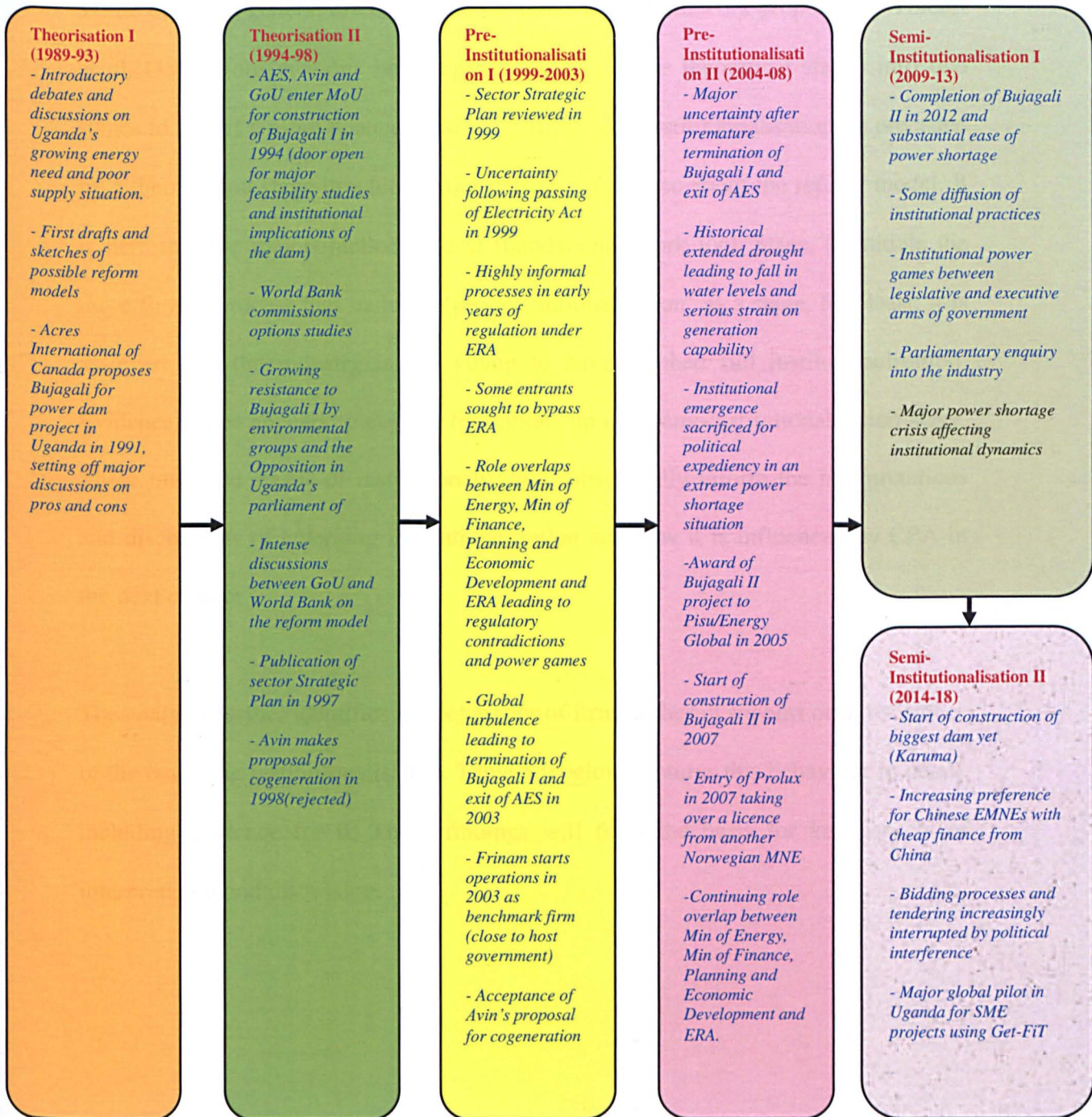
Another senior project manager similarly argues:

We have been trying to study the power generation expansion. The proposal I think was written to the government in 1998. Then they said, we don't want Avin power as Bujagali is coming. So we have excess power. Up to now, I think they still have that belief that after Karuma, we will have a lot of power.⁷⁰ [I017]

An institutional actor who was on the team that evaluated bids for various dam projects comments:

The fact that Avin put in a bid for a generation plant just shows you that there were local firms that tried, but the pre-conditions were quite tight. They required evidence of depth and experience in industry. They required a sound track record of business over a certain size, in terms of dollars, and a track record of doing business offshore. [I012]

⁷⁰ Karuma is a new 600 MW dam under construction along the Nile.

Fig. 5.6: Stages of institutionalisation and timeline of reform

(Based on researcher's synthesis of diverse data sources)

Fig. 5.6 above captures the stages of institutionalisation as identified in this study. While there is a general orientation on the three-stage framework proposed by Tolbert et al. (1996), observations here separate each of these theoretical stages into two stages to reflect a more nuanced reality. Further, 'pre-institutionalisation' is preceded by a theorisation stage in which major debates took place about the reform model. It is here that the major intellectual and foundational work took place, to initiate the more formal process that includes 'pre-institutionalisation' as a stage. Not least, it is assumed that the industry is too young to have reached full institutionalisation. Evidence hence appears to capture formations up to a semi-institutionalisation stage. These observed stages of institutionalisation substantially inform the interpretations and discussions of emerging institutionalisation and how it is influenced by CPA in the next chapter.

The analysis further identifies the behaviour of firms either in support or in resistance of the emerging institutionalisation. Table 5.9 below captures this behaviour in detail, including evidence for it. These findings will form the basis for key aspects of interpretation and discussion.

Table 5.9: Resistance and support of institutionalisation by firms

Firm/project	Institutionalisation support behaviour	Institutionalisation resistance behaviour	Examples of supporting excerpts ⁷¹
Pisu/Energy Global	<ul style="list-style-type: none"> - Implemented a detailed social and environmental impact assessment program that translated into a global benchmark, in co-operation with international regulatory agencies - Provided learning for various institutions after failure of Bujagali I - Performed a pre-project, multi-stakeholder-oriented assessment to establish the institutions to support 	- None observable	<p><i>Our focus was mainly with two nationally institutions (water and rural electrification services) and how they operated locally.</i></p> <p><i>But then locally, what we went in for is medical facilities ...schooling...microfinance....business centres.</i></p> <p><i>During the construction phase, in our offices the environmental and social team was bigger than the engineering team. So you can see where we put a focus.</i></p> <p><i>A multi-sectoral monitoring team was instituted thus facilitating follow-up and the creation of synergies among the relevant institutions. This approach was complimented by quarterly missions by donors.</i></p>
Frinam	<ul style="list-style-type: none"> - Pre-entry activities to support new Electricity Act - Government advisor as first mover after reform - Sharing of experiences from home market - Government benchmark firm 	<ul style="list-style-type: none"> - Creation of an industry umbrella association as a lobbying tool - Intensified political activity to win over a hostile parliament and the general public - Pre-emptive/anticipatory activities to illustrate potential of a strategic partnership to drive rural electrification and hence the need to keep the firm favourably positioned 	<p><i>And many times, we are asked to do more in terms of capacity building. It is part of the mandate.</i></p> <p><i>As we do these tariff applications, there is an opportunity for us to challenge even some of the regulations and say this is how it works.</i></p> <p><i>So to this end we formed what we called Electricity Generators and Distributors Association of Uganda (EGADAU). And it is through EGADAU that we intend to carry out most of the hard-nosed stakeholder interfaces and engagements.</i></p>

⁷¹ I005, I010, I011, I013, I015, I016, I017, I018, I019, I021, I028, D005, D006, D007, D025, D026, D030

Prolux	<ul style="list-style-type: none"> - Illustrated that regulatory rules could be meticulously adhered to - Evolved into a benchmark project for the small-to-medium size dam sector - Deployed an HR strategy that led to a fully local Ugandan staff 	- None observable	<p><i>The Prolux project is one of the most compliant....choosing to proactively submit reports without being asked or reminded.</i></p> <p><i>We made it clear right from the beginning.... we don't want people who want to deal with the project with political motives.</i></p>
Avin	<ul style="list-style-type: none"> - Pioneering work with AES during Bujagali I - Institutional diversification based on cogeneration - Historical experience in Uganda (understanding dynamics of institutional emergence) 	<ul style="list-style-type: none"> - Heavy lobbying of key political actors against regulatory body - Objection to tariffs directives by regulatory body (won support of Minister of Energy) - Low recognition of capability of institutional technocrats to manage cogeneration 	<p><i>We have a forum for interacting and exchanging views; how to meet the challenges and how to improve on them generally in the country.</i></p> <p><i>And we also tend to contribute by writing reports to the regulator.</i></p> <p><i>Dr Y (head of regulatory body) challenged my authority as the minister through his correspondence to date.</i></p>

5.8 Results category E: Political market embeddedness - the political environmental perspective

5.8.1 Introduction

This final results category summarises the most important issues from the political environmental context of getting embedded in the market. These issues are captured as:

- intensity of lobbying and political connectedness,
- political interference,
- host-mother government relationships and
- salience of issues

As in previous categories, these factors are delineated from an NVivo-based empirical code grounding. An understanding of these factors contributes to a deeper understanding of the rationale of CPA in the political context of an African country like Uganda, including its volatility and uncertainty.

5.8.2 Key findings of the political environmental perspective

This is the final category of the findings. It serves to directly address the implications of Uganda's political environmental context for the understanding of evidence of CPA in the reformed electricity industry. The key factors that emerged from an NVivo-based empirical grounding were, in order of importance: the intensity of lobbying and political connectedness, issue-based dynamics, political interference and mother-host government relationships. The four cases were analysed according to these four factors, thus further informing an interpretation of their CPA strategies toward political market embeddedness. Frinam emerges as the most proactive entrant

from a national institutional perspective, by virtue of its closeness to the home and host governments. Pisu/Energy Global, on the other hand, demonstrates extensive local engagement as it sought to meet major international concerns about the environmental and social credibility of the project. There are important implications as a result of a joint venture between an AMNE and an experienced EMNE based in the region. Prolux encapsulates behaviour rooted in a highly reactive political strategy for an advanced country MNE from a non-traditional country origin. Finally, Avin represents the behaviour of a home-grown EMNE seeking to exploit the advantages of historical market embeddedness, while at the same time fighting the challenges of liability of localness.

The pie chart and the tables below capture the conclusions for each research case in this results category, derived from analytical processes explained in the previous chapter. Further, representative extracts from the transcripts and the archival documents that reflect these findings are presented.

Fig. 5.7: Empirical grounding in NVivo for political environmental factors (N=154)

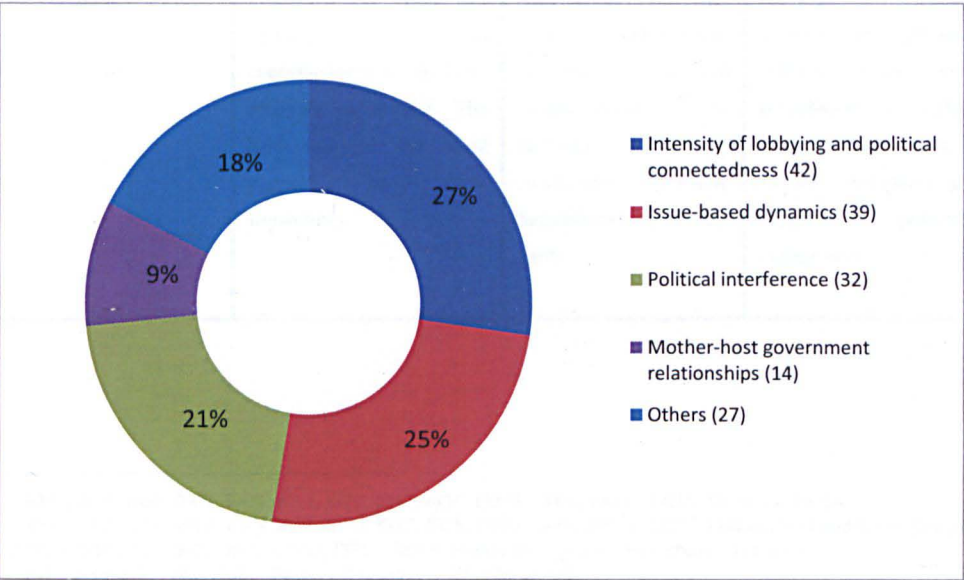


Table 5.10: Main conclusions about lobbying and political connectedness

Political environmental perspective	MNE cases			
	Pisu/Energy Global ⁷²	Frinam ⁷³	Prolux ⁷⁴	Avin ⁷⁵
Lobbying and political connectedness	<ul style="list-style-type: none"> - Required a high level of lobbying and political connectedness, given the global interest in the project that included influential social and environmental groups - Benefitted from a synergy between the two joint venture partners based on extensive local and international political experience respectively - Leveraged the political connectedness and experience of company owners, affected investors, management executives and lead managers for project success - Derived strategic lessons from the predecessor project and proactively addressed the weaknesses, especially at local level 	<ul style="list-style-type: none"> - Benefitted from extensive connectedness given the home and host government involvement in the market entry - Exploited linkage to the home government's foreign policy which prioritised Africa - Leveraged antecedents for lobbying and political connectedness based on one of its senior managers acting as MD of Uganda's state utility two years to reform 	<ul style="list-style-type: none"> - Benefitted from a proactive engagement with the mother government's development aid policy that prioritised the energy sector in Uganda - Deployed a low-profile, reactive approach to political actors and a compliance-oriented approach to key institutions - Exploited the benefits of a transition from a fully expatriate team at early stages to a fully local team at later stages 	<ul style="list-style-type: none"> - Depended on its historical presence in the host country and the magnitude of its networks built in other sectors of the economy - Benefitted from the government's appointment of members of the owning family to politically-influential positions - Tapped its connectedness to weaken or even reverse hostile regulatory decisions
Key insight(s)	Integration of local and global political connectedness to facilitate lobbying capabilities. The lead role of the local partner on local capabilities.	Exploitation of high profile, continentally-oriented political connectedness to facilitate lobbying capabilities, including foundational pre-entry work.	Leverage of political connectedness with and lobbying of the home government to buffer the compliance-oriented strategy. Avoidance of extensive political engagement.	Leverage of historical political connectedness and lobbying capabilities to overcome initial resistance to cogeneration and to evolve into a benchmark.

⁷² I002, I005, I006, I007, I009, I012, I019, I037, I038, D005, D008, D009, D016, D018-24, D027⁷³ I001, I002, I010, I011, I013, I014, I020, I037, I038, D002, D003, D011, D017, Frinam, host and home government websites⁷⁴ I015, I016, I019, I028, I021, D008, D017, D018, Prolux and Norwegian embassy websites⁷⁵ I017, I018, I021, I023, I032, D008, D012-015, D025-026, D030

The main conclusions about lobbying and political connectedness as captured in table 5.10 above are henceforth illustrated by some core extracts, as outlined below for each case:

Pisu/Energy Global

The general manager of the joint venture comments thus about Pisu and its locally-oriented strengths:

Pisu was familiar with the territory, they were familiar with the people and they knew how to operate in Uganda and certainly in East Africa. I think that was a key factor. They knew how to negotiate and what to expect from governments, how governments here respond and time delays that happen, things which an external organisation like Energy Global just coming in would struggle coming to terms with. [I005]

The lead project manager from Pisu adds:

What you need to understand is that Pisu is a strong industrial entity in its entirety in the entire region. So in Uganda, we were already at the S hotel ... We were in pharmaceutical industries, we were in labour industries. So really we were on the ground and we understood the local conditions fairly well. [I007]

He further makes a self-assessment to underline the quality of managerially-oriented connectedness and experience required for success, as quoted earlier on p.157.

Frinam

Two parliamentary inquiries into the electricity sector were highly critical of Frinam and its political conduct, as noted below:

The role played by Ponto (pseudonym) in the unbundling of UEB was highly suspect given his employment record with Frinam Enterprise South Africa and later with Frinam Uganda and Umeme. There is no doubt that Ponto came as a forerunner of his parent company Frinam Enterprise South Africa (Frinam Uganda), which together with Umeme are running the key segments of the electricity chain, i.e. generation and distribution. [D002, D003].

The unhappiness of Frinam's competitors is captured thus by a former bid process manager:

The three bidders were TATA, Frinam, and another company, I think from Spain, which was reasonable. But the TATA people kept on bickering. They kept on saying the thing had been given to South Africa. [I002]

A leading Frinam manager conversely and understandably commends the firm thus:

And many times, we are asked to do more, in terms of capacity building ... it is part of the mandate; you know, we wanted you to come here; you have come here. Share with us best practices; how it should be done. [I010]

Prolux

Prolux's MD commented on the reserved approach to political actors thus:

So I really don't deal with the politicians and what I have seen is that if you want your project to fail, get involved in politics. We made it clear right from the

beginning, I remember in 2008, that we don't want people who want to deal with the project and have political motives. [I015]

Another leading manager had this to say, confirming perceptions about politicians in the country:

So the MPs operate in an environment where they are not held accountable for their utterances and some of the utterances can be very damaging ... In another society, you could actually sue them for slander. [012]

Acknowledging the firm's compliance-oriented behaviour, a leading environmental regulatory actor commented thus:

The Prolux project is one of the most compliant, at least as far as NEMA expectations are concerned, choosing to proactively submit reports without being asked or reminded. [I019]

Avin

Avin documents a key milestone in its history as follows:

N. (Avin) was the first Indian to return to the country after the Amin coup and, with the help of successive governments, was an activist in the debate for the restitution of expropriated and confiscated properties. In this Uganda - and N. Avin - took courageous decisions to return property to previous owners. It was however no easy task, for political and military forces and opinions had to be confronted in order to convince all stakeholders that it was the right thing for the country. [D030]

About its role in the shaping of Uganda's energy industry, Avin's archives review thus:

In 1992, working closely with the Government of Uganda, Avin secured the mandate to build, own and operate a hydro-electric power station on the River Nile ... Although AES (the US joint venture partner) withdrew from the project, following the turmoil after the collapse of Enron, the Bujagali project will be completed as a public-private partnership, retaining the basic elements of the project that was originally conceived and developed by Avin. [D031]

Avin's political influence is further reflected below in the support it got from the relevant minister against a hostile regulator:

Dr Y challenged my authority as the minister responsible for reviewing the co-generation tariff through his correspondences to date. He continued to be hostile to my instructions. I do not find working with Dr Y productive in view of his continued insubordination to policy directions. [D007]

Table 5.11: Main conclusions about political interference

Political environmental perspective	MNE cases			
	Pisu/Energy ⁷⁶ Global	Frinam ⁷⁷	Prolux ⁷⁸	Avin ⁷⁹
Political interference	<ul style="list-style-type: none"> - Hedged from unlimited interference in the early stages of embeddedness given its strategic importance and the strong will for success by all stakeholders - Leveraged lessons from the aborted predecessor project for instance investing in relationships with key institutional actors - Accommodated a level of local political interference in order to ensure success of the critical environmental and social impact assessments 	<ul style="list-style-type: none"> - Accommodated political interference conditioned by entry based on closeness to governments and being an SOE - Experienced interference both as an advantage (institutional facilitation) and a source of risk (confrontation with Parliament) at later stages - Leveraged political interference in getting a senior manager recruited to lead the host country's state utility in the final two years prior to unbundling 	<ul style="list-style-type: none"> - Pursued a strategy of minimal engagement with politicians based on a vigorous compliance with institutional requirements - Entered at a time of extreme power shortage making some political interference unavoidable - Acquiesced to modest interference by some political actors intent to showcase the project as a model of successful development policy 	<ul style="list-style-type: none"> - Used to interference by virtue of its historical and high profile presence in the country - Exploited capabilities to tap into historical political and social networks for advantage when circumstances were conducive - Deployed key members of owning family and former senior managers for corporate diplomacy and political networking making interference mutually beneficial
Key insight(s)	Integration of local and global capabilities to harmonise the management of political interference at diverse levels.	Accommodation of substantive political interference, including the potential risks.	Buffering against heavy political interference using an extensive compliance strategy.	Leverage of historically-rooted experience to manage political interference and turn it into advantage.

The main conclusions about political interference as captured in table 5.11 above are henceforth illustrated by some core excerpts as outlined below for each case:

⁷⁶ I001, I002, I012, I005, I006, I007, I025, D005, D008, D018-024, D028

⁷⁷ I001, I002, I010, I011, I013, I014, I020, D002, D003, D011, D017

⁷⁸ I015, I016, I021, D017, D018

⁷⁹ I002, I012, I017, I018, I021, I023, D006-007, D013-015, D025-026

Pisu/Energy Global

Given the negative experience with the previous failed project, government actors were keen to make the new project work smoothly. A senior project manager comments:

I mean the process in my view - and I must give the government of Uganda credit - was a very transparent process. The evaluation team was very transparent, which gave me confidence that this was the real deal. It was very transparent; the evaluation team was well-established. The pro forma documents were very well-drafted. [I007]

In building a relationship with permanent ministry officials for consistency and predictability, the general manager observes:

And there may be political changes - I think we've had three Ministers of Energy since construction, but the core people in the Ministry of Energy have remained and that has been a success. [I005]

Researcher comment: In the negotiations, there was an extensive engagement with the details of *political force majeure* which effectively covered diverse aspects of political interference, for example the implications of a potential instability in Kenya or Tanzania and a sabotage event in Uganda. [D022 – MEMD restricted material]

Frinam

A senior executive tried to rationalise the potential for interference thus:

Frinam, yes, it is a government-owned utility in South Africa, but the way it is set up is that there is autonomy and independence in its strategic objectives and direction. The ownership is more at arm's length and there is only very minimal interference from the ownership, which is government. It runs very much like a firm; just like any profit-making organisation that reports to the board. And the government is more like a board, or a stakeholder and shareholder. [I010]

In responding to the implications of a negative parliamentary report, another senior manager assesses:

It is serious because you can't ignore a parliamentary recommendation.⁸⁰ But still it is up to the executive to decide. But for us we are here, we are doing our work, managing the assets in the best way possible. [014]

The parliamentary report makes the following critical statement about the executive arm of the government:

It is therefore ironical that the Government of Uganda chose to abdicate its sovereign responsibility to a foreign state-owned but locally privately-owned company. [D002, D003]

Prolux

Prolux's MD appraises her apolitical managerial skills as follows:

⁸⁰ The parliamentary committee recommended the immediate termination of the Frinam power generation concession (D002-3)

I have managed to get what I want, what I should get, be it at NEMA, DWRM, or ERA without going to a godfather. I go as (mentioned her first name) and follow up, do the proper application, follow up and get it delivered to me. No political interference. I am not a politician. [I015]

A former manager at the state-owned utility explains the caution against political actors in the quotes (I012) already presented on page 183. This hence further reinforces the rationale of the stance taken by the Prolux manager.

Prolux's home country Ministry of Foreign Affairs praises the project thus in a national budget proposal:

The Prolux power plant in Uganda is one project that shows that it is possible to carry out developments with a minimum of conflict and with a range of positive effects for the local community. [D036]

Avin

A highly publicised example was when the Minister of Energy clashed with the head of the Electricity Regulatory Authority on a directive he had given to almost double the tariff Avin could demand from the state-owned electricity transmitter for its co-generated power (Obore, 2011). The objection of the ERA boss is summarised in this extract from a letter he wrote to the Permanent Secretary of the Ministry of Energy, seeking guidance on the matter:

How should ERA treat the capacity Avin Ltd implemented with contribution of funds from the government of Uganda under the first power purchase agreement? [D006]

The minister ultimately responded by seeking the suspension of the ERA boss. In a letter to the board Chair of ERA, this is what he says:

Dr Y challenged my authority as the minister responsible for reviewing the co-generation tariff through his correspondences to-date. He continued to be hostile to my instructions. I do not find working with Dr Y productive in view of his continued insubordination to policy directions. [D007]

A senior project manager assesses the challenges of political interference – here the disagreement between local and national actors:

We wanted to set up another plant in the North. ...The government gave us a number of sites, but most of them were not suitable. So eventually we came to a place called A., that is where we got land ... Then we made a proposal to the government and the government was supportive. And then came the politics: Members of Parliament from the North said the government should not bring the project to that place. [I017]

Table 5.12: Main conclusions about host-mother government relationships

Political environmental perspective	MNE cases			
	Pisu/Energy Global ⁸¹	Frinam ⁸²	Prolux ⁸³	Avin
Host-mother government relationships	<ul style="list-style-type: none"> - Benefitted from highly stable relations between the three governments based on common values, aspirations and historical realities - Advantaged by stronger ties between the three countries in recent years as close partners in the global fight against terrorism - Supported by active diplomatic representations that were strongly embedded in the economy 	<ul style="list-style-type: none"> - Reinforced by positive political changes in the mother country and the prioritisation of Africa in its foreign policy - Underlined by bilateral agreements signed since reestablishment of diplomatic relations - Supported by highly active diplomatic representations that prioritised the promotion of trade and investment 	<ul style="list-style-type: none"> - Benefitted from Norway's credentials as a colonially untainted European country - Supported by Uganda's emergence as a showcase for successful Norwegian development aid policy - Shaped substantially by Norway's prioritisation of the energy sector in development policy⁸⁴ 	<ul style="list-style-type: none"> - Though founders came from India, the company had meantime evolved as a Ugandan company. However, good historical relations between both countries were a bonus - India is one of Uganda's leading trade partners - Relationship healed after the crisis caused by Amin's expulsion of Asians in 1973, including the Avin family⁸⁵
Key insight(s)	Buffering from a historically stable tripartite host-mother government relationship with emerging geopolitical dimensions.	Exploitation of a historic opportunity for revived relationships between the mother government and African countries.	Exploitation of a strongly developmentally-oriented host-mother government relationship.	Exploitation of historic dynamics.

The main conclusions about host-mother government relationships as captured in table 20 above are henceforth illustrated by some core extracts, as outlined below for each case:

⁸¹ I001, I002, I005, I006, I007, Project website, Pisu mother company website, Energy Global website

⁸² I001, I010, I011, I013, I014, Ugandan and South African High Commission websites, Ministry of Foreign Affairs websites

⁸³ I015, I016, D017, D018, Norwegian Embassy website

⁸⁴ Norway was the leading donor partner in formulating the new Electricity Act and in developing institutional capacities, for example in the Rural Electricity Agency

⁸⁵ One of the Avin family members was the first Indian to return to Uganda after the removal of Amin from power in a coup in 1979, henceforth initiating negotiations for return of company assets that had been expropriated (Avin website).

Pisu/Energy Global

At a U.S. Independence Day reception in Kampala, Uganda, the Embassy Chargé d'affaires assesses the scale and scope of the relationship:

Many of you may be surprised to learn that our Mission is among the top 20 or so largest U.S. embassies in the world: and we are still growing. The Mission's nine U.S. agencies and over 750 diplomats, technical staff, and local employees passionately manage the investment the American people are making every day in the future of Uganda. [D033]

Conversely, the Ugandan top diplomat in the USA ranks the relationship as 'excellent' in this statement:

We are here, first and foremost, to strengthen the excellent relations between Uganda and the U.S. We project, promote and protect Uganda's interests in America. We cultivate and establish strategic partnerships to support our diaspora, source investments and enhance lives of Ugandans back home. [D043]

Frinam

In reference to Frinam's mother country's revival on the continent, a senior manager in power distribution comments:

But also of course there was Pan-Africanism and all those considerations. I think it was Thabo Mbeki who was president at the time. So it was an easy sell. [I002]

Prior to a state visit to Uganda by South Africa's president, accompanied by nine cabinet ministers, the presidential spokesperson commented thus, underlining the depth of the relationship:

The state visit will build on the excellent relations forged during the struggle against apartheid, when Uganda provided solidarity and support to the South African liberation movement. [D044]

Prolux

The Norwegian ambassador to Uganda highlighted one of his country's investment priorities thus during a visit by Nordic investors:

Norwegian investors will be coming to invest in the country's power sector by supporting the development of the medium power plants which will close the gaps in the energy sector in the country. [D045]

The Energy official at the embassy noted more broadly:

We have co-operated with Uganda in the electricity sector for so many years; and I think Norway and Uganda's co-operation actually facilitated this electricity act. [I016]

Table 5.13: Main conclusions about salience of issues

Political environmental perspective	MNE cases			
	Pisu/Energy Global ⁸⁶	Frinam ⁸⁷	Prolux ⁸⁸	Avin ⁸⁹
Salience of issues	<ul style="list-style-type: none"> - Translated the salience of environmental and social issues into development of one of the most comprehensive environmental and social impact assessments ever implemented in an emerging market - Emerged as a benchmark project for new environmental and social impact assessment guidelines by the World Bank and other agencies - Concerned about the growing preference by African governments for Chinese EMNEs as partners for infrastructure projects - Challenged by the perception of a high cost of the project compared to the previous project and similar projects elsewhere in the world 	<ul style="list-style-type: none"> - Challenged by persistent concerns about the reform model that Uganda chose and how Frinam got the first concession for the key installations in Jinja - Affected by a power struggle between Parliament and the executive over key policy decisions - Thrown into uncertainty by the demand by some parliamentarians to terminate the previous contract and renegotiate under more transparent terms - Accused of partial responsibility for the persistent poor performance of Umeme⁹⁰ given its influence in the early years 	<ul style="list-style-type: none"> - Set to be challenged during election cycles as political actors attempted to extract value for themselves - Obligated to train the fully local HR team to prioritise environmental issues given their high importance in the home country and globally - Affected by serious objections by donor countries about misuse of development aid funds in the country 	<ul style="list-style-type: none"> - Needed to adapt to the emergence of new sugar plants in the host region in Busoga - Threatened by a new political risk by challenging local political actors who supported new sugar firms in their constituencies - Poised to be politically tested by entry into the potentially lucrative but still highly volatile markets in the neighbouring countries like S. Sudan
Key insight(s)	Development of market leading capabilities to address environmental and social impact issues by integrating local and global capabilities. Model challenged by Chinese firm entries increasingly preferred by African governments.	Development of capabilities to handle the salience resulting from a politically high profile market entry and its contestation later.	Leverage of compliance and political non-engagement to mitigate against salience. Affected by questions around abuse of development aid.	Development of capabilities to manage emerging changes in its core market and the challenge from local political actors seeking to reduce its market dominance.

⁸⁶ I001, I002, I005, I006, I007, I012, I019, I033, I034, I035, D002, D003, D008, D018-024, D027

⁸⁷ I001, I002, I012, I010, I011, I020, I037, I038, D002, D003, D008

⁸⁸ I012, I015, I016, I036, I038, I039, D018

⁸⁹ I017, I018, I022, I032, I041, D025, D026, D028

⁹⁰ Umeme is the predominant power distributor in Uganda. Frinam had previously been a joint venture partner in Umeme before moving to a focus on generation.

The main conclusions about the salience of issues as captured in table 5.13 above are henceforth illustrated by some core extracts, as outlined below for each case:

Pisu/Energy Global

An industry analyst and academic assessed environmental salience thus:

And there were many things said between the environmentalists and conservationists.... What is more important? To leave the ecology untouched or to have some electricity that can spur growth? So that was the standoff. Because of that developments in generation stalled. I will tell you that we got electricity from Bujagali in 2012, but it had been proposed that it was viable in the early 90s. [I001]

The general manager at the joint venture project contextualised matters further:

We as a developer had to go to international lenders to get the money. We could put in our own equity but the amounts needed are really high. But as soon as you go to an international lender, the social and environmental conscience is extremely high. So there are lots of strings and conditions which you have to meet, which I think is good, because you can go to a construction site and do a lot of destruction. [I005]

One of the crucial features of big dam projects like Bujagali is that political issues take on not only national, but also international connotations. At one point, the project had to contend with some of the most globally influential organisations, agitating and lobbying for environmental protection. A highly combative letter by one of the organisations captures the scale and scope of issues involved. [D001]

About China's growing presence in Africa, a senior manager explained thus:

But maybe if we now start to use banks like Exim of China and similar sources that require a low interest rate, the tax payer and the final consumer will not have to pay so highly. So that's what the government has done. The president had to take the initiative himself and source the money (for Karuma). We are now getting money from Exim Bank, about 75%, and government will have to pay 25%. It is much cheaper, with an interest rate of about 4%. The European and American banks would ask for a much higher rate. [I006]

Frinam

An industry analyst and academic questioned Frinam's entry as follows:

But we know that Frinam is a South African company and we know that in South Africa Frinam is a state utility. So for me, that alone raises some questions. If a South African utility maintains its monopoly powers in South Africa and does a good job, why would you wish to privatise yours? And more so give it to a public entity elsewhere to do the kind of work that you think your own public sector can't do. That is the first question. The other is, who in Uganda had interests in Frinam? [I001]

A parliamentary commission of inquiry agreed and contested the government's wisdom thus:

The Committee established that in the rest of the world the management of hydropower plants/generation is either under direct government control or a public private partnership (PPP) arrangement, with the government still retaining majority holding. It is therefore ironical that the government of Uganda chose to abdicate its

sovereign responsibility to a foreign state-owned but locally privately-owned company. [D002, D003].

The parliamentary committee went on to recommend the immediate termination of the concession, though this was not implemented.

Prolux

This statement by a senior energy official in the Norwegian embassy in Kampala captures the challenges of corruption and accountability and how donor countries were struggling for a position:

The situation in Uganda has been a bit more difficult for the last two to three years. And right now, we have delivered a strategic paper to the government, and due to several issues, you have government corruption scandals, the OPM⁹¹ office where we have aid money; we have of late the signing of the homosexuality bill; democracy... there are a lot of issues that we are very concerned about. Of course this is not the electricity sector but it is at stake ... And we still wait for a decision from Norway to continue our co-operation with Uganda which, I am very sad to say, might affect our cooperation in the energy sector. [I016]

The salience of the issue is further captured by the following remarks from the American Ambassador to Uganda:

We have all read the tragic stories about the way donor development funds were diverted away from their intended purposes to the detriment of the nation and its citizens. The government's partnership with the donor community is seriously threatened by this and other incidents of pervasive corruption. [D032]

⁹¹ Office of the Prime Minister.

With regards to the environment, here is how Prolux's MD comments:

When you come to Norwegians, they respect the environment. So they don't want to make them do something they feel is irresponsible in development. They would rather pull out. If you are going to move out as a Norwegian investor and you start causing problems where you go, it has something to do with how you are being treated, you will be treated back home. [I015]

Avin

We cannot accept this directive because a factory like Mayuge sugar has exhibited bigger plans like employing more than 1,000 people, starting power generation ... [D035]

The above statement was made by the Chairperson of the Busoga Parliamentary Group, in response to a presidential directive to terminate the licences of sugar factories in the region that were 'within a radius of less than 25km from the existing ones as well as those that had disregarded their obligation to guarantee food security while carrying out their activities'. While there were legitimate concerns about food security, the directive also appeared to favour Avin as the traditional and most powerful player in the region, suggesting some exertion of its political influence.

Here is how a senior Avin manager comments on the new factories:

When these people came, they had no nucleus estate; they had no out-growers. So what happened was that they ended up buying sugarcane from private farmers. They

tried to inflate the cane prices but they found that they couldn't sustain those cane-prices. So one of them, I think Mayuge, is in distress.

Researcher: *So Avin might buy these factories?*

Respondent: *Yeah, if the price is right. Yeah, if the price is right we can buy*

5.9 Categorising the firms/partnerships according to CPA strategic behaviour

From the findings presented in this chapter and integrated into the 'key insights' row in the tables, the following tabulated profiles emerge to describe the MNEs and the case projects. The profiles reflect different levels of reactivity and proactivity in CPA behaviour underlying the emerging strategic typologies. There is hence a diversified picture reflecting the singularities of a dynamically growing Sub-Saharan African economy, far from the generic and anecdotal propositions that extant literatures are prone to suggesting.

Table 5.14: Summary classification of emerging CPA strategic behaviour

Firm/partnership	CPA behaviour	Key features of CPA behaviour	Emerging typological description
Pisu/Energy Global	Selectively proactive, leading to a consistent balance between proactiveness and reactiveness	<ul style="list-style-type: none"> - Capable of synergising local and global political capabilities - Highly proactive in shaping locally-based institutions and winning local stakeholdership - Fully supportive of institutional emergence 	Global Realist
Frinam	Predominantly highly proactive, but obliged to integrate a moderately adaptive perspective in later years in response to political environmental pressures	<ul style="list-style-type: none"> - A proactive approach to shaping emerging institutions based on a very close relationship with governments in key markets all over Africa. Developed requisite political capabilities of continental influence. - Prone to opt to relate with executive arms of government leading to conflicts with parliaments in later stages. - Supportive of institutional emergence in early years, but subtly resistant later 	Continental Activist
Prolux	Consistently highly reactive based on compliance-based capabilities. A light proactiveness later to nuance the reactiveness and reinforce compliance	<ul style="list-style-type: none"> - Inclined to comply with existing rules and norms. - Advanced capabilities in training and embedding local HR at all organisational levels - Fully supportive of institutional emergence 	Localised Hybrid
Avin	Embeddedly proactive (A mix of adaption and modest proactiveness to deal with government hostility to cogeneration in early years; anticipatory position that shifted to high proactiveness following government's change of position)	<ul style="list-style-type: none"> - Highly refined capabilities in exploiting historical social and political capital. - Capable of influencing political actors at a high level - Capable of highly innovative, but risky approaches - Limitedly supportive of institutional emergence 	Historical Entrepreneur

From this categorisation, Frinam emerges as a **Continental Activist**, demonstrating a dynamic inclination to proactively engage with Africa's new political reality of relative political stability and fast economic growth. It represents firms that are ready to closely work together with home and host governments to shape an African interpretation of 'pro-market reforms', where the state still plays a substantial role in the market place whilst not undermining the fundamentals of reform. Such firms are bound to mirror the behaviour of similar firms originating from China and other markets in the Far East, where governments are similarly still major stakeholders in the reality of reform.

The **Localised Hybrid** on the other hand stands for advanced market firms as they seek to maintain a foothold in these lucrative markets, opting to exercise extensive local HR recruitment and empowerment strategies as part of their strategic arsenal. So whilst HQ maintains a hold on overall strategy, it empowers the subsidiary to embed itself extensively in the host market, for example exploiting the capabilities of the local staff to understand and interpret the local situation.

The third typology, **Historical Entrepreneur**, encapsulates home-grown firms that are coming of age and developing political capabilities to not only assert themselves in the traditional markets, but to also increasingly use these as a springboard for cross-border activity. These firms are the most informed about the local political situation and how to address it, even under difficult circumstances.

Finally, the **Global Realist** reflects both EMNEs and advanced country MNEs that have recognised the value of strategic partnerships in emerging contexts like Uganda. Such partnerships nurture and unleash political capabilities of major importance to emerging institutional constellations. The four typologies are further synthesised in the table above, and inform important aspects of the interpretations and discussions in the next chapter.

5.10 Conclusion to the findings

The results provide detailed evidence for CPA in Uganda's electricity industry, and form the basis for the interpretations and the discussions in the next chapter of the thesis. Further, the institutional implications of the identified nonmarket strategic behaviour are delineated as part of understanding institutional emergence in the sector. The key issues underlying the findings are henceforth synthesised.

Firstly, there is a review of the major issues that had a formative impact on the pre-reform debates and consultations, going back to about ten years before the Electricity Act. The World Bank emerges thereby as an influential actor in the outcome of this discourse. One of the most important issues here was a growing demand for pro-market reforms as a precondition for further budgetary support to Uganda by multilateral lending agencies like the World Bank. The country was in fact at this point a test case for how Sub-Saharan African countries could respond to paradigmatic shifts in thinking, reflecting a changed and changing global political and economic situation. These shifts recognised liberal pro-market reforms in emerging and developing countries as one of the main indicators of the acceptance and the accommodation of change.

Secondly, the key issues underlying firms' market entry choices are summarised, for the purpose of informing the market embeddedness perspective that constitutes the central consideration in the study. Of paramount importance here were the scale and scope of involvement of the host and/or the home governments in the entry, the contractual decisions and the choice of EMNE/MNE joint venture partner.

Thirdly, the issues surrounding market embeddedness are presented at length. This was carried out using a general approach initially, paving the way for a focus on

institutional and political environmental perspectives thereafter. The factors that emerged from an NVivo-based empirical grounding were thereby used as a basis for advancing conceptual categorisations. A deeper study of these factors revealed a convergence of behaviour for all entrants in the early years of reform, in support of institutionalisation. Later years of reform however exposed a greater variety of behaviour, with firms either continuing to support or opting to resist further institutionalisation, depending on their interpretation of the political imperatives of the development. Not least, the maze of behaviours is disentangled to expose diverse political capabilities on the basis of which CPA and its rationale is clarified.

Finally, the cases in the study are identified as manifestations of a typology of political behaviour that this research proposes, thus pointing to broader nonmarket realities taking shape in a fast-growing SSA country.

All these observations provide a basis for the discussion and ultimately the propositions in the next chapter.

6 Interpretation and discussion

6.1 Introduction

This chapter proceeds to interpret and discuss the research findings presented in Chapter 5. Whilst extant literatures have extensively examined the economically-oriented market strategic imperatives of MNE market entry and embeddedness in both advanced and emerging markets, there is generally little consideration of the nonmarket strategic dimensions involved (see Chapter 3, sections 3.2.2 and 3.4). The discussion here hence contributes to correcting this imbalance. Further, it critically examines the findings through the lens of the literature review in Chapter 3, thus relating them to the pertinent theoretic debates identified there. Most importantly, empirically-based propositions are advanced, refining and expanding what was theoretically advanced in the review. Ultimately, the central role of this chapter is to strengthen the foundations for the main conclusions, and to articulate the contributions to theory made in the final chapter.

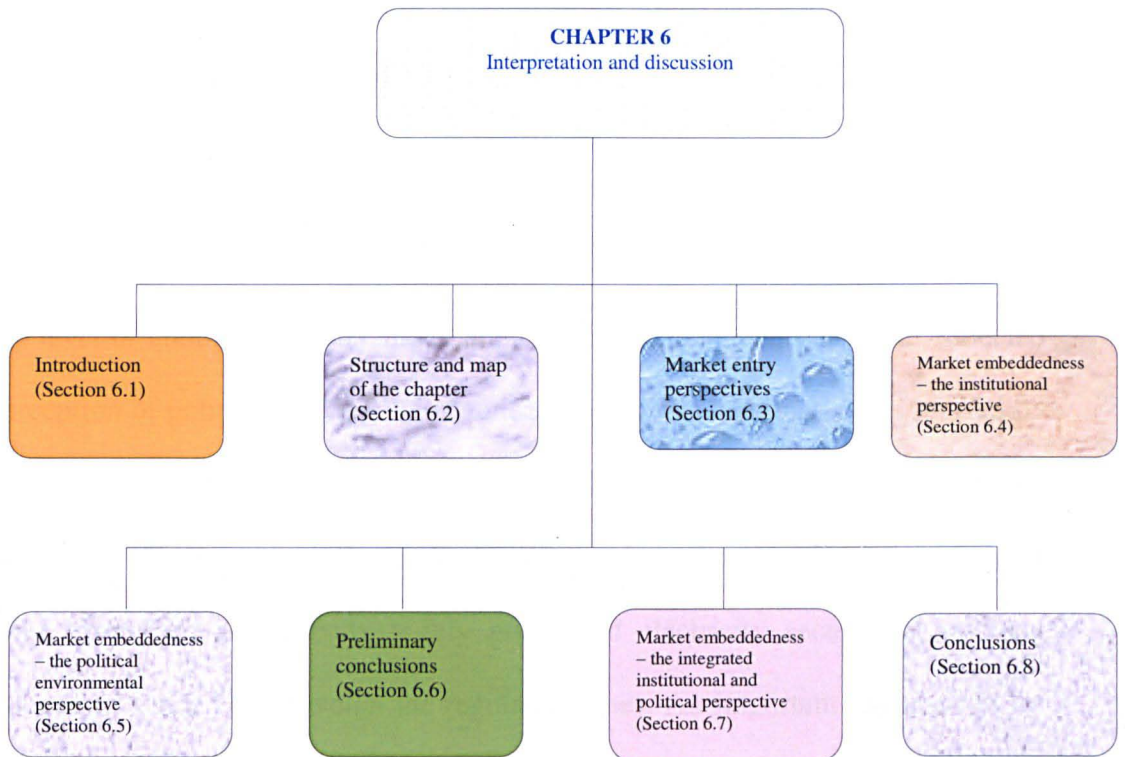
6.2 Structure and map of the chapter

Following the introduction in **section 6.1** above, there is a summarised discussion in **section 6.3** below of some market entry considerations that inform the political market embeddedness perspective, in order to reinforce its centrality to the research. Market embeddedness is discussed from an institutional (**section 6.4**) and a political environmental perspective (**section 6.5**). The conclusions in **section 6.6** offer a preliminary overview of the discussion and a bridge to the integrated consideration of the institutional and political environmental perspectives in **section 6.7**, which

broaden the conceptualisation of the findings. There is finally a chapter conclusion in section 6.8.

The map below offers additional guidance to the structure of the chapter.

Fig. 6.1: Map of Chapter 6



6.3 Market entry perspectives

6.3.1 Introduction

This subsection takes a summarised look at the strategic perspectives of market entry that are useful in clarifying the broader context of the research. Ultimately, the insights here inform the discussion of how the different entrants embedded themselves in the market, particularly from an institutional and a political environmental perspective. There is an important illumination of relevant

developments in a fast-growing Sub-Saharan African emerging market in recent times, through an institutional and a political market consideration of the market entry of MNEs. Inherently, the discussion recognises the increasing importance of political factors in shaping FDI activity in emerging markets, particularly those identified as the ‘new frontiers’ of global growth (Raman, 2009; Luiz and Ruplal, 2013; Lawton et al., 2014). The subsection therefore constitutes an important prelude to the more central market embeddedness perspective of the study.

6.3.2 The broad perspective

At one level or another, all entry mode choices and their related behaviour reflected the perception of political and regulatory uncertainty in the host market, as posited by several theorists (Hillman and Hitt, 1999; Delios and Henisz, 2003; Doh and Ramamurti, 2003; Bonardi et al., 2006). However, given the practical imperatives of a newly liberalised and already highly politicised electricity sector, the political considerations tended to outweigh the regulatory ones. An important explanation for this relative anomaly was that whereas the regulator had been conceived to be independent⁹² at the passing of the new Electricity Act in 1999, it was in practice prone to the interference of influential political actors. Some potential market entrants hence sought to bypass it by directly contacting statutory policy-making bodies, particularly the executive, where the most influential political actors were located (Holburn and Vanden Bergh, 2002).

Fig. 5.6 (in Chapter 5) and table 6.1 below capture the stages of institutionalisation observed in this study, building on an elementary suggestion by Tolbert et al. (1996).

⁹² The Electricity Act (section 16) states: *The (regulatory) authority shall, subject to the declared policy of Government and, except as is otherwise provided in this Act, be independent in the performance of its functions and duties and exercise of its powers and shall not be subject to the direction or control of any person or authority.*

They also underline the observations made above. Further, there is an identification of when each firm entered the market, as well as a description of the key events in the sector at that stage. This market entry context is drawn on both here in the prelude and at various points in the main discussion, based on market embeddedness.

Table 6.1: Stage of institutionalisation of regulation at time of entry of various players

Stages of institutionalisation	Pre-institutionalisation I (1999-2003)	Pre-institutionalisation II (2004 – 2008)	Semi-institutionalisation I (2009 – 2013)	Semi-institutionalisation II (2014....)
Entrants	<p>Frinam (pre-entry, 1999; formal entry, 2003)</p> <p>Avin (proposal submission, 1998; formal entry, 2003)</p>	<p>Pisu/Energy Global (entry 2005)</p> <p>Prolux (formal entry 2007)</p>	<p>Karuma and Isimba projects awarded to Chinese EMNEs</p>	<p>Karuma starts construction</p> <p>Issues concerning Karuma start assuming centre stage</p>
Key features	<ul style="list-style-type: none"> - Major uncertainty following unbundling of state-owned utility - Highly informal processes - Major global events leading to exit of AES and termination of Bujagali I project - Criticality of market entry strategies/projects that are aligned to government policies 	<ul style="list-style-type: none"> - Major uncertainty following termination of Bujagali I project - Major drought and fall in water levels of L.Victoria and other reservoirs leading to power generation crisis - Contradictory guidelines by different regulatory institutions in response to crisis - Institutional development sacrificed for political expediency - Start of Bujagali II 	<ul style="list-style-type: none"> - Completion of Bujagali II - Some diffusion of institutional practices - Some normative institutional developments - Tensions between legislature and executive - Parliamentary inquiry into the industry - Half way point of first major concession (Frinam) 	<ul style="list-style-type: none"> - Increasing preference for Chinese market entrants - Major global pilot in Uganda for SME projects using Get-FiT - Major uncertainty as demand for power again outstrips supply

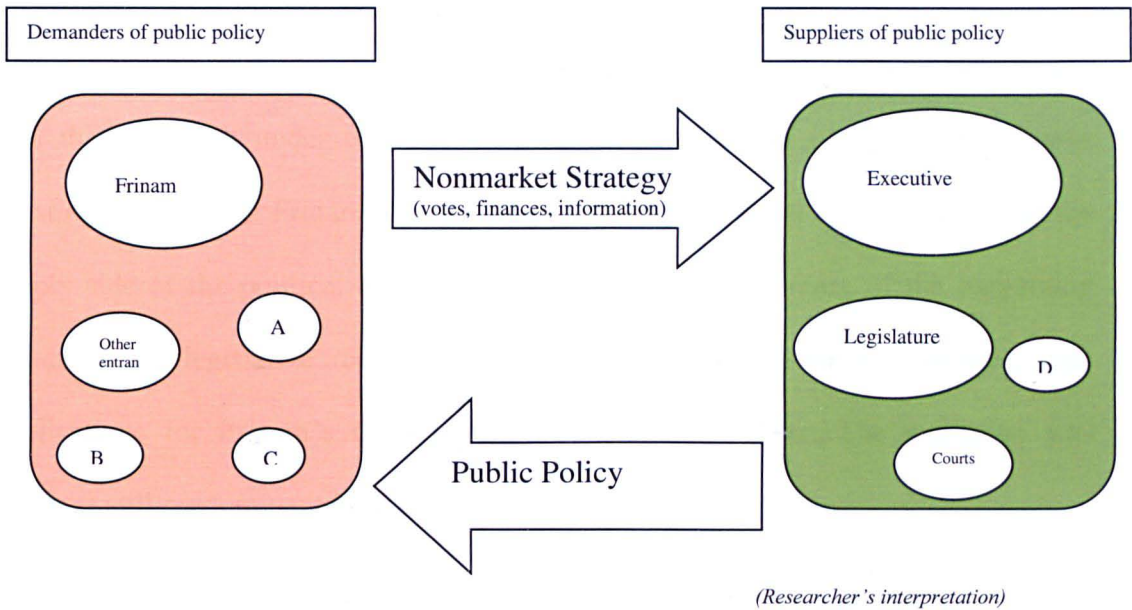
In essence, some of the behaviour of political actors during the market entry of these MNEs was therefore not conducive to strengthening the young regulatory institutions at this sensitive early stage. The behaviour however served the interests of these political actors in ways linked to both the objectives of their political parties and their personal interests (Bonardi et al., 2005; Robinson, 2007; Lawton et al., 2014). Given the weak separation between private and public spheres in emerging markets like Uganda, this is something that emerges as an important influence on CPA behaviour. It underlines a relational rather than a transactional orientation in the interactions.

An important political capability that was already tested at the market entry stage and which would henceforth be continuously tested was the interpretation by the different market entrants of how to best exploit the weak separation of the state and the private spheres. While this can constitute an obstacle to formal regulatory institutionalisation, a consideration of it must also take into account the African cultural context here that emphasises personal relationships above distant, formal structures (see section 6.4.4.3 in this chapter for an elaboration). More generally, there is a risk of losing the credibility that is one of the key 'building blocks' of successful political engagement for MNEs (Luo, 2001b) if the exploitation of this situation is overly disproportionate to supporting basic institutionalisation.

In entering the host market, the MNEs generally found themselves operating in the political market configuration illustrated below using the Frinam case. The size of the ellipses is a reflection of the estimated market influence of the market participants at the stage of institutionalisation in question.⁹³

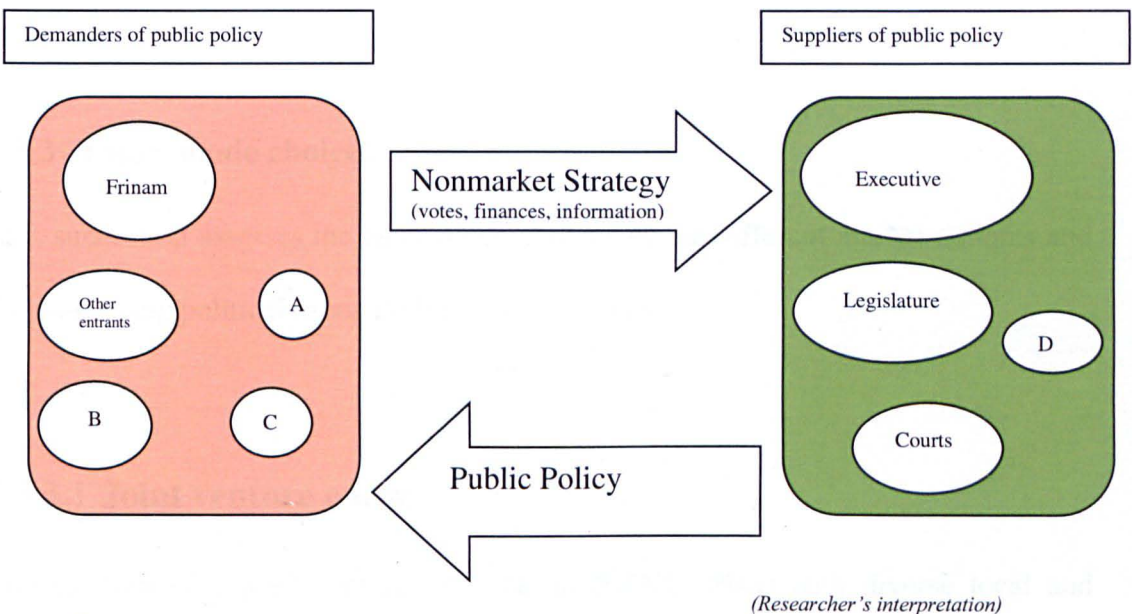
⁹³ This is an integrated picture from the different cases, using all available data

Fig. 6.2: The political market situation in Uganda's liberalised electricity industry (estimated status at formal market entry of Frinam in 2003)



Legends: A(International NGOs), B(Customers), C(Local NGOs), D(Regulator)

Fig. 6.3: The political market situation in Uganda's liberalised electricity industry – (estimated status ten years after market entry of Frinam in 2013)



Legends: see under Fig. 6.2

The relative market power of Frinam hence decreased with more market entrants. But since these were generally small players, it was after the commissioning of the

Bujagali dam in 2012 that there was a dramatic change. Nevertheless, by virtue of Frinam's mode of entry, which foresaw a close involvement of government, its core power remained largely unchallenged despite these changes. But with an even bigger dam than Bujagali under construction at Karuma (capacity of 600 MW), it was questionable whether Frinam would maintain its core power in the long-term. On the supply side of the political market, there was in turn an increase of the bargaining power of the legislative relative to the executive arms of the government, with implications for Frinam's CPA strategy, as elaborated later. The executive was however still predominant in practice.

Having advanced these broad perspectives on market entry, this subsection now interrogates some more specific issues that strengthen the market embeddedness considerations later. An overview of these issues is presented in Fig. 6.1 (see section 6.2 in this chapter).

6.3.3 Entry mode choices

This subsection assesses the entry mode choices by the different market entrants and the underlying political rationale for these decisions.

6.3.3.1 Joint venture entry

The creation of a joint venture between an EMNE (Pisu) with diverse local and regional political credentials and an AMNE (Energy Global) with extensive global experience was the most important feature of the Pisu/Energy Global market entry. Given that Pisu was experienced regarding the specific demands of Uganda as a country (Brouthers and Brouthers, 2001; Chacar et al., 2010; Brouthers, 2013) from a

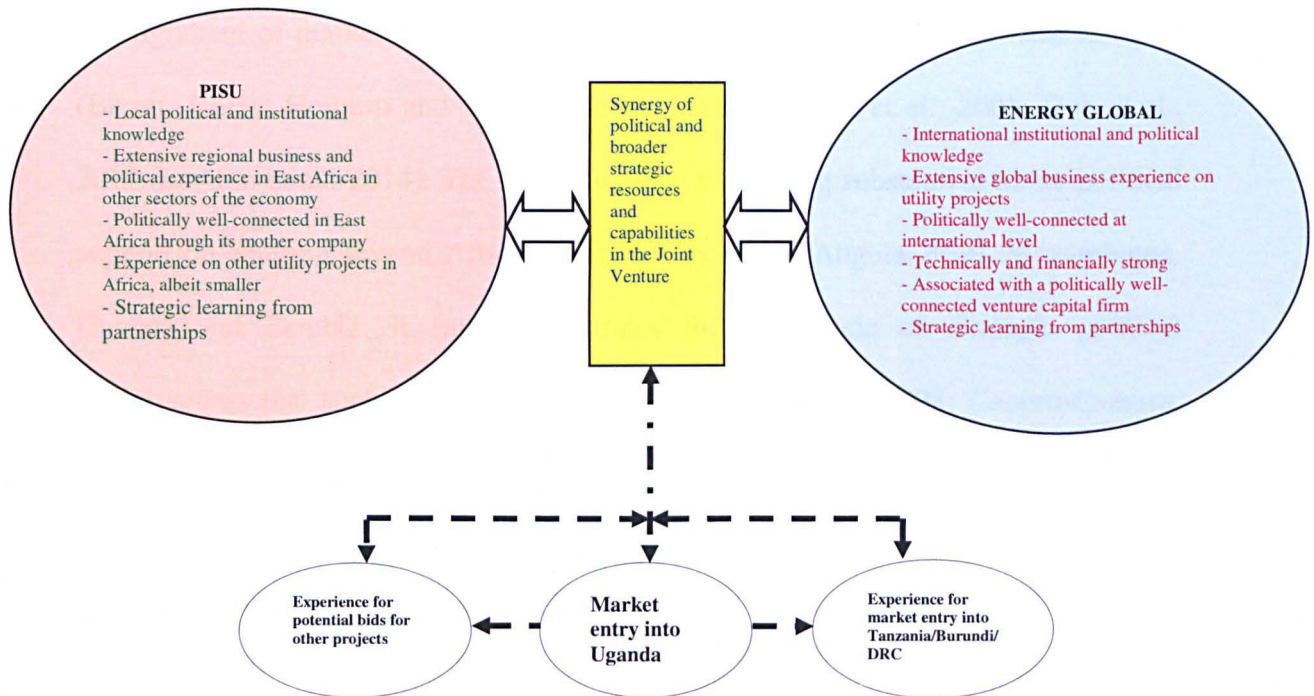
social and political standpoint, it leveraged this strategic position to aid the creation of the joint venture and facilitate its successful market entry. The strategic importance of the investment can be seen by the fact that it was Africa's largest private investment at the time (Ketchum, 2012).

On its own, Energy Global would have found it a substantial challenge to understand and respond to this country specificity, which was a departure from its home country experience where social and political environments were more stable and predictable (Murray and Popper, 1992; Hoffmann et al., 2009; Kingsley et al., 2012; Lawton et al., 2014). Further, while Energy Global was well positioned to gather some retrospective knowledge about the former main developer's experience by virtue of access to a common home country political network, Pisu was conversely well placed to accurately assess the political situation in Uganda following the termination of the first project. This complementarity of political resources and capabilities was hence one of the most critical strategic strengths in the joint venture (see Fig. 6.4 below).

Similar to Frinam, Pisu further benefitted from long-standing supportive policies by its home government for its internationalising firms. In fact, the two home countries (South Africa and Kenya) are central to the rapidly evolving story of EMNEs in Africa and the growth of intra-African FDI (UNCTAD, 2011, 2014). Given that there had been no major disruptive political events in Kenya, however, Pisu's relationship with its home government was substantially more embedded, benefitting from the relatively long history of its mother company in East Africa (AKFED, 2014). The two neighbouring countries (Kenya and Uganda) also had a long-standing historical relationship (see table 5.12 in Chapter 5) at diverse levels, including business and trade, with each as the largest trading partner of the other. This historical, economic

and geographical background was hence an important enabler for the development of a complex international joint venture project that would play a vital role in the region's electricity industry in subsequent years.

Further, Pisu had accumulated some experience at home and elsewhere on the continent in managing dam projects, albeit for less challenging and substantially smaller projects. Some of the political and institutional issues involved here however, particularly at the local embeddedness level, in retrospect constituted a microcosm of the ensuing reality of the new project. Such experience has been recognised in extant literatures as one of the determinants of market entry success (Erramilli, 1991; Luo and Peng, 1999; Bhaumik and Gelb, 2005; Herrmann and Datta, 2006). But because of the presumption of institutional and political stability in the markets studied in these literatures noted above, there are some limitations to the insights that can be drawn for emerging markets like Uganda, which are more fragile yet experiencing rapid growth. On the whole, Pisu was therefore well placed to lead entry of the joint venture. Comparatively, Frinam's experience in the energy sector was much deeper than that of Pisu's, not least as reflected by its being the largest single generator of all electricity on the African continent (Republic of SouthAfrica, 2014). It however lacked strong country diversity in its experience, as well as exposure to other economic sectors, features that strongly characterised Pisu, making it more exposed to a variety of finer-grained African dynamics.

Fig. 6.4: The strategic profile of the Pisu/Energy Global joint venture⁹⁴

It is also worth noting that the locally-based advantages that Pisu was drawing on were the advantages that the home-grown Ugandan EMNE, Avin, had drawn on in partnering with the U.S. firm AES in the previous project at the same site. These advantages were significantly stronger for Avin, given a longer and deeper historical market embeddedness, and would have been very valuable had AES not prematurely exited from its global engagements in 2003.

6.3.3.2 Greenfield entry in partnership with the host government

Frinam's contrasting decision to enter the market through a close relationship with both the home and the host governments placed it in the most favourable position politically, at least initially. The harmonisation of its 'Africa Strategy' with the home government's new foreign policy in the region constituted a political capability of

⁹⁴ It is worth noting that the GM of Pisu/Energy Global indicated a wish to be part of Africa's potentially largest hydropower dam project, Inger III on the Congo River (1005). The projects in Uganda and at the border of Tanzania/Burundi/DRC would be a springboard to bid for this much larger project.

substantial importance (see tables 5.5 and 5.6 in Chapter 5). This in fact emerges as an alignment of market and nonmarket strategies, as propagated by several scholars (Baron, 1995a; Holburn and Vanden Bergh, 2002; Bonardi et al., 2005; Doh et al., 2012; Lawton et al., 2014). The capability saw it securing substantive home political support on entering several African countries including Angola, Mali, Mozambique, Uganda and Zambia. It further illustrates the magnitude of strategic political proactiveness that such EMNEs (Cuervo-Cazurra and Genc, 2008; Cuervo-Cazurra, 2008; Luo, 2010; Stal and Cuervo-Cazurra, 2011; Narula, 2012; Luiz and Ruplal, 2013) are increasingly demonstrating as they penetrate these 'New Frontiers' (Raman, 2009; Lawton et al., 2014) of FDI activity.

Uganda had at this point in time been recognised as a strategically important link in a planned Pan-African power grid system stretching from Cairo to Cape Town (Ilorah, 2004; McDonald, 2009). By entering Uganda, in spite of its relatively small market size, Frinam was planning for much bigger opportunities on the horizon at a continental level. This pre-emptiveness and anticipation characterises much of Frinam's political behaviour and acts as a competitive differentiator.

Frinam's entry benefitted not least from observational learning about other entrants which had been supported by the home government, albeit in other sectors of the economy (Daniel et al., 2003; Daniel et al., 2004; Bonardi et al., 2006; Dippenaar, 2009; McDonald, 2009). The successful prior entries of the telecom giant MTN (Bick et al., 2011; Mbalyohere, 2012) and the banking giant Stanbic (Clarke et al., 2007) were particularly instructive. In many ways, Frinam exploited exactly the same political networks and connectedness (Mahon et al., 2004; Peng and Zhou, 2005; Daphne et al., 2007; Jessie Qi and Peng, 2010; Sun et al., 2010a; Bick et al., 2011;

Shaner and Maznevski, 2011; Zhou and Delios, 2012) that these prior entrants had exploited.

These political networks were an important feature of strategic constellations that were taking shape in South Africa and defining its country-level profile (Dunning, 1980; Brouthers and Brouthers, 2001; Alden and Soko, 2005; Dippenaar, 2009; Narula and Dunning, 2010; Brouthers, 2013; Luiz and Ruplal, 2013). Important characteristics of this strategic profile included a readiness by the government to expedite its newly-won Pan-African political and economic leverage to support its internationalising firms; a strategic concentration of firms exploring African markets; and a resilience in the face of extreme institutional and political conditions. While most of these firms were not yet ready for fierce competition in global markets, they were well-positioned to start accruing advantage on the home continent, particularly in countries on a pro-market reform path like Uganda (Daniel et al., 2003; Daniel et al., 2004; Dippenaar, 2009; Luiz, 2009; Luiz and Ruplal, 2013).

Frinam's most important early decision, even prior to formal entry into Uganda, was the leverage of its political capabilities to facilitate the recruitment of one of its managers to head the state utility monopoly in the final two years prior to reform. This effectively gave the firm a pre-emptive strategic stake in the market. The manager eventually became the nucleus of a sophisticated and far-sighted pre-entry strategy that Frinam deployed to prepare for its formal entry, positioning itself ahead of competitors (Doh and Ramamurti, 2003; Frynas and Mellahi, 2003; Frynas et al., 2006; Magnusson et al., 2012). All this was helped by the fact that no clear rules had yet been established to regulate pre-entry activities.

Such an opportunity for pre-entry, and its associated political advantages, would however not have been possible without proactive accommodation of the interests of key political actors, both at home and in the host market. While the accommodation here echoes Luo's (2001b) observations about China, it was more nuanced, as it had to deal with a politically and institutionally much less stable context. By negotiating pre-entry and positioning itself for privileged access to strategic information and decisions, the firm and the government put potential entrants at a major strategic disadvantage, at least during the early years of reform.

6.3.3.3 Greenfield entry in partnership with the home government

Conversely, Prolux represents the strategic options that AMNEs have in securing a foothold in these 'New Frontier' (Raman, 2009) markets. The firm used a greenfield entry strategy based on the acquisition of an operating licence from another Norwegian firm and the relocation of an expert team from HQ to the new subsidiary. However, it quickly recognised that the integration and empowerment of Ugandans into its core team constituted an important strategic political capability. The firm eventually emerged as the only foreign-owned project in the sector to employ a fully Ugandan staff in a relatively short time. The positive signal this sends to various local stakeholders is an important ingredient of effective CPA (Bonardi and Keim, 2005; Bonardi, 2011). The entry here was also dependent on a linkage to the home government's development aid programs and policies (the home government held a 27.5% stake in the project). More broadly, AMNEs like this, which maintain full legal ownership on entry into emerging markets, are obliged to counter accusations of low commitment to the long-term interests of the host country by pursuing strong localisation strategies (London and Hart, 2004; Bhaumik and Gelb, 2005; Ihua, 2010; Heum et al., 2011).

6.3.3.4 Home-grown market diversification

By virtue of being a home-grown EMNE with a long history in Uganda, Avin was in a privileged position with regard to most of the issues raised above. However, as its experience in the Bujagali I joint venture with AES illustrated, there are important external factors that can negatively affect even a proposition with the strongest locally-based political credentials (Doh and Ramamurti, 2003). It is however fair to say that the company had no control over the massive pressures that its partner experienced in light of the Enron energy scandal (Prentice, 2002; Petrick and Scherer, 2003; Ashforth et al., 2008). The case nevertheless suggests that EMNEs need to develop much more sophisticated strategies to assess the potential risks of a partnership with AMNEs (Isobe et al., 2000; Frynas and Mellahi, 2003; Frynas et al., 2006; Dacin et al., 2007; Acquaah, 2009; Yu-Ching et al., 2010).

Risk assessment has therefore traditionally assumed that the most important risks are in emerging and developing markets and are not necessarily to be expected from advanced markets. With indications of more infrastructure projects on the horizon that will need new and potentially more complex strategic partnerships, there is an acute need for refinement of contemporary risk assessment approaches (Bartels et al., 2009). An example of a proposed dam project like this is the Inga III hydropower project in the DRC, which is projected to produce half of Africa's electricity and have a major transformational impact in the region (Yukhananov, 2014). Political risk is addressed more extensively in section 6.5.4.

Avin's decision to engage with the dynamically evolving energy industry in Uganda via the electricity cogeneration market segment rather than hydropower, after the collapse of the venture with AES, illustrates the strategic options that a home player

has. It hence refocussed its political resources and capabilities onto eventually becoming the market leader in electricity cogeneration (Dasappa, 2011) in Uganda, with potential to enter other markets in the Great Lakes region. It used an intra-market portfolio diversification strategy, benefitting from social and political networks it had long nurtured and maintained (Holburn and Zelner, 2010; Pei et al., 2012; Elango and Chinmay, 2007; Mahon et al., 2004; Zhou and Delios, 2012; Jessie Qi and Peng, 2010), to facilitate energy market innovation.

But because the 'market entry' was at a stage of institutionalisation (Fig. 5.6 in Chapter 5 and table 6.1 in this chapter) characterised by substantial uncertainty about the best way for the country to strategically develop the electricity sector, there were major challenges to winning political and institutional stakeholdership. This suggests that, even for a home-grown player, there is substantial work needed to successfully lobby for a market innovation, particularly during institutional transition (Peng and Zhou, 2005; Jessie Qi and Peng, 2010). Avin appears not to have applied the requisite level of preparatory political work to elicit a more supportive response at the start. While this changed later, in light of a major power crisis in the country, a lot of time (five years between proposal submission and offer of licence) and resources had been lost.

6.3.4 Timing of entry

It is also noteworthy that the time of entry of both Frinam and Pisu/Energy Global coincided with points on the reform path when the host government most needed a success story. At the start of implementation of reform in 2001, a successor company to the disbanded state monopoly UEB was urgently needed to serve as a benchmark

firm and effectively act as an advisor to the government on diverse technical, strategic and economic issues in the sector. The expectation directed toward Frinam hence went far beyond a classical business mandate. It reflected a hope that vibrant MNEs like Frinam from the new South Africa would increasingly work together with pro-market, reform-oriented African governments to change the fortunes of the continent (NEPAD, 2010; Ilorah, 2004; Abrahamsen, 2004), and contribute to what was increasingly called an African Renaissance (Shaw and Nyang'oro, 2000).

Pisu/Energy Global, on the other hand, entered as the country was starting to experience its deepest electricity supply crisis yet, prompted by a heavy drought that affected water levels in Lake Victoria and by the failure of the initial Bujagali project. The Ugandan government was almost desperate to have the new project succeed. All its planning for the energy sector had revolved around this project and any delay would have had major repercussions. The issues of risk and uncertainty related to this planning will be addressed later in the thesis. The circumstances were hence favourable for CPA strategies aimed at the government by both entrants.

Similar to Pisu/Energy Global, Prolux entered the market at the later phase of pre-institutionalisation, characterised by early diffusion of institutionally legitimising practices (see Fig. 5.6 in Chapter 5 and table 6.1 above). With an intense power shortage starting to have serious consequences, any project that could help reduce the crisis was highly welcome. This underlines the thinking that the timing of market entry in political strategies is as important as any other consideration (Buchholz, 1990; Makhija, 1993; Isobe et al., 2000; Bayus and Agarwal, 2007). More broadly for emerging markets, the timing of entry needs to take the stage of institutionalisation into account, as is elaborated later. Generally, however, the timing of entry into

politically and institutionally fragile markets appears to be substantially more important than in otherwise more stable ones, in terms of impacting on market embeddedness.

6.3.5 Contractual negotiations

This subsection now examines issues surrounding contractual negotiations by the various market entrants. Commitments and positions agreed on at entry would in some cases have major implications later on during embeddedness. Frinam was particularly affected by this, as will be explained.

6.3.5.1 Joint venture-oriented negotiations

The Pisu-led consortium made a strong proposal which paved the way for extensive negotiations with the government of Uganda and the lenders. The quality of preparation it had engaged in became evident throughout the negotiations. In effect, the case offers insight into the dynamics of negotiations in a strategically important sector in a fast-growing, new emerging economy. This extends the largely advanced country insights in extant literatures (Erramilli, 1991; Boddewyn and Brewer, 1994; Doh et al., 2004; Boddewyn and Doh, 2011), to capture new experiences of the relative bargaining power of AMNEs in such economies. The Ugandan government was at this point in time in near desperate need of a new developer for Bujagali, as noted above, having lost important time and resources on the failed previous project. It was hence in a very weak negotiating position.

Nevertheless, an adversarial approach to negotiations, as was commonly observed in the early studies on MNE-Host government relations (Boddewyn and Brewer, 1994; Dunning, 1998; Luo, 2001b, 2004), had since become unpopular. Hence, despite the

vulnerability of the Ugandan government, Pisu/Energy Global needed to tread carefully if it was not to experience a backlash. But at the same time, it was obliged to extract a reasonable return on investment for its shareholders. The ability to adequately balance co-operation with and competition against the host government thus becomes imperative, as Luo (*op cit*) observes.

Importantly, the joint venture could draw on a previous agreement between Uganda and the failed AES-Avin project on the same site, to get a better bargain. While the government could also draw on this earlier agreement, its position was weakened by a desperate need for the new dam. Pisu was particularly strong through its understanding of the approaches to negotiations from an East African regional standpoint. This is an important ability in such partnerships, particularly as a means of anticipating hostile changes and adopting mitigating measures.

Energy Global, on the other hand, understood contractual issues at an international level in depth, and deployed this expertise in negotiating with the World Bank and other international stakeholders. There was a synergy of experience and expertise (see Fig. 6.4 above) between the two main parties, including their diverse political resources and capabilities. A well-structured joint venture appears to be particularly important in a negotiating context like this that was predicated on achieving higher efficiency and effectiveness at multiple levels well above those of the previous project (Luo, 2001a; Dacin et al., 2007; Reuer and Ariño, 2007; Acquah, 2009; Yu-Ching et al., 2010).

6.3.5.2 Greenfield, host government-oriented negotiations

In Frinam's case, the contractual negotiations benefitted immensely from the pre-entry work by Ponto as head of the state-owned utility in its final two years prior to dissolution. Extensive rapport had already been established with leading political and institutional actors. This was in turn instrumental in reducing regulatory uncertainty and risk. More broadly, a good relationship between the new government in South Africa and the Ugandan government (see table 5.12 in Chapter 5) made rigid formal arrangements practically unnecessary. Such was the extent of the readiness by African governments to rehabilitate South Africa and re-engage it on the continent.

However, some respondents pointed to influence peddling by political actors in both countries. Hence, while Frinam benefitted from the support provided by 'very powerful people',⁹⁵ as one of the respondents stated, to reach favourable negotiating outcomes, this also constituted a source of risk. This was because these political stakeholders could lose influence in the future or change their position concerning the company, a point that is elaborated under 'risks and uncertainties' (see section 6.3.8) and has been explored by Sun et al (2010a) in a Chinese context. Further, the level of political complexity involved and hence the magnitude of negotiations needed was reduced as the firm was taking over an already existing installation (Doh et al., 2004). This was a point of departure from Pisu/Energy Global, for example, which confronted a spectrum of new issues at multiple levels, on top of crafting a new joint venture. However, with time Frinam was vulnerable to challenge, given its First-Mover profile and the uncertainty about how things would develop (Magnusson et al., 2012; Frynas et al., 2006). Uganda was also just starting the reform 'experiment', and there was potential for future change that would affect the contracts.

⁹⁵ I001

6.3.5.3 Greenfield, home government-oriented negotiations

Prolux on the other hand typifies the type of negotiations and agreements that small hydropower dam projects experience. Based on size, things are significantly less complex than with large projects. It was therefore possible to secure an already issued operating licence from another Norwegian developer that was exiting. There were also agreements with Norfund⁹⁶ and the Norwegian government concerning finance for the project. In a sense, there were some similarities with Pisu/Energy Global, which also took over a project, albeit at a significantly lower level of complexity. A reflection of the magnitude of difference is not least the fact that Prolux needed only one year to restart work on the project, while Pisu/Energy Global started construction work four years after premature termination of the predecessor project (see Fig. 5.6 in Chapter 5 and table 6.1 above).

The market for such small projects, however, tends to be fluid and even speculative, requiring control measures to mitigate risk. Whereas Prolux could not be blamed for a loose institutional situation that entertained such market entry behaviour, it was nevertheless tarnished when regulators discovered how it had secured its licence.⁹⁷ Further, in spite of the substantive preparatory work by the previous developer, there was still a lot to do to operationalise the project. This was especially the case in negotiating with various sub-contractors for the real construction. Not least, negotiations had to be carried out with the hosting communities and with local government officials. Prolux went on to develop a community stakeholder relationship program that evolved into one of the most admired in the industry (see table 5.3 in Chapter 5).

⁹⁶ The Norwegian Investment Fund for Developing Countries
⁹⁷ IO21

This points to the type of attitude that an MNE needs to have towards local stakeholders, in order to ensure sustainable success and to mitigate the risk of community-based hostility to the project. It is a level of stakeholder engagement that has emerged as one of the most important features of successful projects in the industry, irrespective of the size of the project (Ghobadian and Viney, 2002). This grassroots-based stakeholdership also appears to hold the key to the engagement of MNEs with what has come to be called the Base of the Pyramid (BOP) (Prahalad, 2006). Indeed it is here that the CPA of MNEs might have its greatest potential in new emerging markets. Prolux's home government appears to have recognised the potential of the small-to-medium size dam projects as an important ingredient of its energy-oriented development aid policy, and it was keen to expand it.

6.3.5.4 Historically market-embedded negotiations

In Avin's case, contractual negotiation depended on understanding of the existing fluid structures at the time of entry (if the arrival of the founding Asian family of the original trading company at the end of the eighteenth century is taken as a market entry) (Madhvani, 2014). Some of this involved oral agreements with local chiefs in the region and negotiations with the British Colonial government, for example in securing large swathes of land for growing coffee and sugar cane. Contracts in later years became more formal, but still benefitted from a historical embeddedness in the country and a cultural understanding of how things were done. Liability of foreignness was hence arguably no longer an issue, something that all the other three cases contended with (Eden and Miller, 2004; Berger et al., 2011). Yet exactly this presumption might have to an extent undermined the company's ability to make a strong new bid after its joint venture with AES collapsed. This suggests that there

might be a contrasting 'liability of localness' that needs to be overcome (Perez-Batres and Eden, 2008; Jiang and Stening, 2013).

Another important aspect was the renegotiation with government that the company had to go through after Idi Amin, who had deported all Asians in 1973, was himself deposed in 1979 in a military coup (Madhvani, 2014). The purpose of this renegotiation was to clarify the terms under which previously expropriated company assets were to be returned, with implications for thousands of dispossessed Asians or their descendants, who ultimately returned.

6.3.5.5 Contestable clauses in the agreements

Finally, MNEs and developing and emerging host governments tend to agree on 'confidentiality' clauses in their agreements, thus barring the public from access to the documents. This is something that MNEs frequently use as a negotiating instrument in order to minimise exposure to political and social friction and regulatory uncertainty in emerging host markets. Conversely, host governments in these markets use it to mitigate the political fall-out from agreements and to by-pass parliamentary and civil society objections. However, courts are increasingly being used by various stakeholders to force the government to make the agreements public. As an example, the agreement between the government and Pisu/Energy Global was kept secret for a long time until a court ordered public disclosure. On assessment by an international firm and a parliamentary commission of inquiry, it emerged that the project was actually on average much more expensive than similar projects elsewhere.⁹⁸ Potentially, this is something that can create a negative perception about

⁹⁸ D002, D003

the affected MNEs and affect future project bids. In effect, there was some uncertainty about the extent to which courts would become more sophisticated and the place of redress for important contractual and regulatory issues, perhaps as part of an institutional power recalibration (Holburn and Vanden Bergh, 2002). A parliament that was growing in assertiveness against the executive also had an impact on the situation (Azevedo-Harman, 2011).

6.3.6 HQ-Subsidiary dynamics and home country effects

This section discusses issues surrounding HQ-Subsidiary relationships as well as differences in home country effects. These issues are raised here in a market entry context because they have important implications for market embeddedness, as will be explained later.

The behaviour that generally emerges in the three cases, Frinam, Pisu/Energy Global and Prolux, is also a reflection of the dynamics of HQ-Subsidiary relationships and how they impact on CPA. Entry modes that anticipate limited subsidiary autonomy (Cantwell et al., 2010; Young and Tavares, 2004; Birkinshaw and Pedersen, 2009; Birkinshaw et al., 2000; Wang and Suh, 2009) at decision-making might experience political challenges along the way, by virtue of a weak responsiveness to emerging local realities.

The most complex relationship was the Pisu/Energy Global project, not only because of the imperatives of a joint ventured-oriented organisational structure, as observed in extant literatures (eg. Zhang et al., 2007; Yu-Ching et al., 2010; Isobe et al., 2000), but also because of the local, national and international political dimensions of the

project. Deficiencies in effectively addressing the implications of this latter perspective had contributed substantially to the termination of the former project (Linaweaver, 1999; Linaweaver, 2003; Luwa, 2007). The new project appeared to develop a much more engaging strategic response to the diversity of political stakeholders (see Fig.5.4 and table 5.3 in Chapter 5). To a large extent, this mastery reflected a better understanding of the characteristics of the various political markets surrounding the project and the quality of stakeholder engagement required for success in both the home and host markets (Ghobadian and Viney, 2002; Bonardi et al., 2005; Ring et al., 2005; Bonardi et al., 2006; Baines and Viney, 2010; Crilly, 2011). By forming a separate legal entity as a subsidiary of both companies, and assigning very experienced African managers to head it, the partners accommodated the need for substantial autonomy by effectively responding to the political realities on the ground. At the same time, HQ could intervene if it became necessary, especially given the high profile nature of the project. In the case of Energy Global, the Project Director in charge of the project at HQ was also a Vice-President in the wider organisation. This meant that a senior executive was always available for any eventualities that needed senior managerial attention.

The South African and Norwegian cases, by virtue of full ownership at entry, were the least challenged on these grounds. Frinam had a substantial advantage in its nearness to both the home and the host governments (Luo and Tung, 2007; Luo et al., 2010), allowing it to deal with political issues that would otherwise have hindered alternative forms of entry. In a sense thus, the HQ-Subsidiary relationship and its market entry implications were shaped by the political capability to interact effectively with both governments. But there was potential for exposure to political risk later on, since the entry was based on prioritising some political actors over

others. Eventually, this indeed translated into a confrontation between the company and the host country's parliament as a result of the latter's perception that it was being given secondary consideration compared to the executive arm of the government (Hillman and Hitt, 1999; Holburn and Vanden Bergh, 2002; Blumentritt, 2003; Azevedo-Harman, 2011).

A strong expatriate presence from HQ was further critical to ensuring knowledge transfer to Prolux's initial Ugandan staff, which eventually became the core of a fully Ugandan staff. Responses to highly localised issues hence became much more refined (Luo, 2001a; Tseng and Chang, 2005; Hartmann et al., 2010). But the fact that managers from HQ had been in the country for some time and were conversant with the fundamentals of the project served to ensure a better understanding of decisions by the subsidiary later on. It also placed HQ in a better position to offer useful advice. More broadly, such a greenfield entry associated with a strong localisation strategy might be one of the key political strategies that advanced country MNEs could use to compete against increasingly dynamic and assertive EMNEs. In this case, the strategy also benefitted from a strong home country effect under which Norway had become a leader in development aid policy in the energy industry, not least by virtue of its internationally acclaimed experiences at home (Tjønneland et al., 2006; Kragelund, 2008, 2010). This policy entailed emphasis on sustainable, environmentally-conscious and ethically sound practices by all stakeholders in overseas projects, including MNEs.

6.3.7 Summary of the relative levels of government involvement in market entry

The table below summarises the experiences of the various cases with the relative involvement of government in the market entry process. The rating is based on an

integration of relevant comments by interviewees, a study of archives and reports in news media. Avin is not rated as it is a home-grown firm. The summary helps to place the discussion above in perspective, and to inform the ensuing discussion of market embeddedness.

Table 6.2: Summary of relative levels of involvement of government in the cases

Case	Level of home government involvement	Level of host government involvement
Frinam	+++	+++
Pisu	+	++
Energy Global	+	++
Prolux	++	+
Avin	n.a	n.a

Legends: Strong involvement (+++); modest involvement (++); low involvement (+); not applicable (n.a)

6.3.8 Risks and uncertainties

This subsection examines some of the issues surrounding the perception of and the responses to risk by the different MNEs as part of their market entry decisions. This also offers a broader context for the discussion of political risk (see section 6.5.4) as a consideration when getting embedded in the market. Perspectives about large dam projects, closeness to government, small dam projects and liability of localness underline the discussion here.

6.3.8.1 Large dam projects⁹⁹

Given the complexity of the Pisu/Energy Global project, and its difficult background which was characterised by the premature termination of the former project, it was important to have an improved approach to risk and uncertainty. Overall, it is the project that confronted the highest magnitude of risk and uncertainty at multiple levels in this study. It is also fair to note that the host government at this point in time was almost desperate for the project to restart, as noted earlier, given the serious power shortage that was hampering the economy. This near desperation might have made the government prone to accept a disproportionate share of risk in the negotiations.

Consequently, there was some uncertainty as to whether government would in the future decide not to review the risk allocation and seek a renegotiation of the agreements. This uncertainty about future government behaviour is considered to be one of the most important risks in emerging markets (Luo, 2001a; Doh and Ramamurti, 2003; Henisz and Zelner, 2010; Dieleman and Boddewyn, 2012). This further suggests that the Ugandan government might have underestimated certain risks and uncertainties while planning for reform. For example, it apparently did not factor in global issues strongly enough, or how they could potentially affect the sector. Generally, there was uncertainty about the direction that global regulation would take, particularly in light of ever stronger social and environmental impact guidelines, rules and societal expectations (Meyer, 2004; Hoffmann et al., 2009; Ho et al., 2012).

⁹⁹ Projects that generate above 100 MW and above are ranked 'large' in this study. Those from 51 MW to 100MW are medium-sized. Those generating 50MW and below are small-scale generators.

The country now however had a strategic opportunity to learn important lessons in light of an even larger and more complex dam that was being planned at Karuma, further along the Nile (see Fig. 5.6 in Chapter 5). Already there had been some issues concerning a flawed bidding process (it was repeated twice after the exposure of bribery in the first process), and the direct involvement of the country's president. This direct involvement is a phenomenon that is characteristic of many emerging markets with relatively weak political institutions. Whilst some modest level of democracy and the separation of the powers of government have been reached (Tripp, 2004; Robinson, 2007; Azevedo-Harman, 2011), a shelving of the official institutional paths for the benefit of the presidency is still widespread.

6.3.8.2 Closeness to government

The area of highest risk in the case of Frinam was the close association with the host and home governments (see table 6.1 in this chapter). This included speculation about what the company had really exchanged in return for unprecedented access to leading political actors and industry resources. Hence, whilst there were substantive advantages related to this type of government-oriented market entry, there were also serious risks that needed to be properly accommodated. Effectively, this would mean a more strategic approach to the relationship between the company and the host and home governments, to reinforce the advantages while mitigating risk. As an example, there were suggestions by several respondents that accommodation of the 'interests' of various political actors constituted illegal practices like bribery.¹⁰⁰ This is an indication of the unspecified cost as well as the risk potential surrounding this privileged entry (Doh and Ramamurti, 2003; Cuervo-Cazurra, 2006; Tangri and

¹⁰⁰ I001, I020, I039

Mwenda, 2006, 2008; Auriol and Blanc, 2009; Mbaku, 2010; Spencer and Gomez, 2011; Lawton et al., 2014). The risk exposure in this regard was considerably reduced for the other three cases in the study. However, they could not remove it completely, as such a strategically important sector of the economy motivated home and/or host government involvement at various levels (see table 6.2 above).

More broadly, while Luo (2001b) recognises this political accommodation as a key factor for improving 'MGRs' or MNE-Host Government Relationships, Sun et al. (2010a) caution that such an accommodation could be a recipe for failure, should political circumstances change. This research suggests that there is a need to both be robustly accommodative of the current 'interests' of political actors, and to strategically anticipate eventual change. As will be discussed under the central embeddedness perspective (sections 6.4, 6.5 and 6.7 in this chapter), this is one of the main reasons why a heterogeneous strategic mix between proactive and adaptive strategies might be the best approach for these market contexts. The ability to 'mix' appropriately, in strategic response to evolving institutional and political circumstances, is one of the key determinants of success. The wider robustness of this strategic mix appears to be enhanced by choices at market entry that need to reflect the imperatives of the stage of institutionalisation.

6.3.8.3 Small dam projects

In the case of Prolux, its risk and uncertainty profile represented the experience of a small-sized dam project. One of the most important issues was the uncertainty concerning further refinement of the institutional and policy context of the subsector. Also, there was some uncertainty concerning another project at the border with

Tanzania, which had stalled mainly due to reservations by Tanzanian authorities. Clearly, there was disagreement between the neighbouring countries about how to implement this cross-border project, pointing to lingering weaknesses in regional co-operation. There are hence some issues about CPA limitations in a cross-border context, particularly for small hydropower-oriented MNEs with limited resources.

Further, there were some issues related to stability at the border with the Democratic Republic of Congo, given ongoing upheavals in the country. Finally, a senior Prolux executive noted that the reason why the previous developer had quit was because the prospects for obtaining follow-on projects had become substantially diminished. Hence, there is the risk of less opportunities for expansion than originally anticipated. In the worst case scenario, this can lead to a market exit. Political risk is examined in more detail in section 6.5.4.

6.3.8.4 Liability of localness

Avin was least prone to the risks and uncertainties examined above regarding the other three cases, by virtue of its being home-grown. In other words, it largely avoided the risks of liability of foreignness (Eden and Miller, 2004; Berger et al., 2011). Managers at the firm might though have been inclined to take risks by being too involved with certain political stakeholders. An example is the stand-off between the then Minister of Energy and the head of the Electricity Regulatory Authority, concerning the appropriateness of almost doubling the cogeneration Feed-In tariff for Avin (see section 6.5.4.6 in this chapter) (Obore, 2011). This might be seen as a liability of localness (Perez-Batres and Eden, 2008; Jiang and Stening, 2013) different from the 'liability of foreignness' that extant literatures generally discuss. Avin also

took on substantial risk in choosing to pursue cogeneration at a time when the government had not yet embraced it. Whilst the government changed its opinion later, in light of a massive electricity supply deficit, things could have turned out very differently.

In conclusion, this section has synthesised the key issues underlying market entry as part of informing the broader context in which to examine market embeddedness. The role of the section hence is supportive, paving the way for the more central market embeddedness perspective. The key issues that have been addressed are mode of entry, timing of entry, contractual negotiations and special clauses, HQ-Subsidiary/home country effects and entry risks. Firms that paid adequate regard to these issues were observed to generally perform better during market embeddedness. How this specifically happened will be illustrated case by case in the next section.

6.4 Market embeddedness – the institutional perspective

6.4.1 Introduction

Following the summarised discussion of important aspects of market entry in the previous section, this section proceeds to address issues surrounding getting politically embedded in the regulatory and policy making institutions of the host market, and the implications of this embeddedness for further institutionalisation. The political responses of the MNEs to the emerging institutions of the electricity sector are used as the main basis for discussion. The discussion is thereafter enriched with political environmental questions in subsection 6.5, thus taking broader issues into consideration. The major issues (stakeholder engagement, local embeddedness, social and political capital and understanding Africa), which were presented as a prelude to

the institutional and the political environmental sections in the findings (see section 5.6 in Chapter 5), are variously drawn on to inform this discussion.

The discussion rests on the understanding that the institutionalisation of regulatory and policy-making institutions was generally still at an early stage for all entrants, albeit relatively more advanced for the later entrants (Prolux and Pisu/Energy Global) than for the first movers (Frinam and Avin). Since it is not possible to foresee what trajectory institutionalisation will take in the future, not least in light of political factors that tend to have a stronger influence in emerging than in advanced market contexts (Luo, 2001a, 2004), the discussion orientates itself on Tolbert et al.'s (1996) simplified three-stage framework of institutionalisation (see Chapter 3, table 3.1). The framework is however refined and expanded to reflect the empirical evidence in this study. Of particular relevance are the pre-institutionalisation and semi-institutionalisation stages that capture the status of the industry in the period (1999-2014) of core interest for this research. The presumption here is that the pre-institutionalisation stage (Phase 1 + Phase 2) lasted for about ten years prior to transition into the next main stage, semi-institutionalisation (see Fig. 5.6 in Chapter 5). The stage that is referred to as intermediate for the purposes of discussion is hence at the start of semi-institutionalisation, i.e. ten years after the start of reform.

The insights from this section lead to the advancing of propositions that are central to the output of the research. Following this introduction, the section is structured into subsections 6.4.2 (Matrix of heterogeneous CPA strategies), 6.4.3 (CPA and its linkage to government reform policies and political agendas), 6.4.4 (Evidence of CPA and its impact on emerging institutions at early stages of reform), 6.4.5 (Evidence of

CPA and its impact on emerging institutions at intermediate stages of reform) and 6.4.6 (The broader conceptual perspective on CPA in emerging markets).

6.4.2 Matrix of heterogeneous CPA strategies

In light of the findings that reveal heterogeneous political strategies at play, this study proposes the following 3*3 matrix (table 6.3 below) as a basis for interpreting and discussing the various strategies. The decisions about where to locate the different MNEs in the matrix are based on the findings in the previous chapter. The matrix introduces a conceptualised analytic framework through which to interpret CPA using the empirical evidence from this research, and it is drawn on strongly in the rest of this chapter. It suggests that the scale and scope of heterogeneity tend to be higher in the early stages of institutionalisation than in the intermediate stages.

Table 6.3: Matrix of heterogeneous CPA strategies

Pro-activeness	H	F _{early}	F _{intermediate} A _{intermediate}	Hypothetically highly proactive and highly reactive firm
	M		P/EG _{early/intermediate}	A _{early} P _{intermediate}
	L	Hypothetically highly passive firm		P _{early}
		L	M	H
		Reactiveness		

(Researcher's interpretation)

Legends: H=High, M=Modest, L=Low; F=Frinam, P/EG= Pisu/Energy Global, A=Avin, P=Prolux
Early=Early stage of institutionalisation; Intermediate=Intermediate stage of institutionalisation

6.4.3 CPA and its linkage to government reform policies and political agendas

This section discusses the linkages of the different CPA strategies to the reform policies and political agendas of the host government. The extent of support and/or resistance from the host and the home governments to the various strategies is also highlighted. The level of proactiveness and/or reactiveness is a critical consideration in categorising the different cases. All this consequently helps to illuminate the rationale behind the choices, and provides a stronger foundation for the more in-depth interrogations that follow. It particularly informs the discussions on ‘dependency on government’ as a consideration in conceptualising manifestations of CPA.

6.4.3.1 Highly proactive/pre-emptive CPA supported by home and host governments

Frinam, as the most prominent early mover, had the visibly strongest influence on government policy in the early years of industry reform (see Fig. 5.6 in Chapter 5), benefitting particularly from the recruitment of one of its senior managers to head the state electricity monopoly in the last two years prior to its dissolution. The mode of entry, that closely involved the home and the host governments,¹⁰¹ further offered extensive possibilities to access critical political resources. These included privileged access to policy plans and the policy makers behind them at a formative stage, and recognition of the MNE as the official advisor to government in implementing reform. These resources in turn enabled the development of political capabilities that were eventually deployed to shape institutional emergence. Such capabilities included a purposeful interaction with the most influential political and institutional actors in the sector, an integration of the strategic preferences of the MNE into the advice to the government, and a proactive mitigation of political risk and uncertainty through these interactions (Bonardi et al., 2006).

¹⁰¹ Frinam is a government-owned utility in its home market, South Africa.

Frinam hence emerges as a highly political MNE that proactively and even pre-emptively¹⁰² exploits opportunities for entry and embeddedness, working closely with its home and host governments. It was explicitly expected to advise and guide the host government in restructuring the reformed industry. Ultimately, it significantly influenced the trajectory that both regulatory and normative institutions (Scott, 2001) took, especially in the early years. The approach to shaping the young institutions set a precedent in the industry, inasmuch as there were ongoing adjustments as new entrants appeared with different approaches, and as political and institutional actors started forming their own experiential views on the path of reform.

In effect, Frinam encapsulates (at least in the early years) not only a successful business entrepreneur, but also a dynamic institutional entrepreneur (Greenwood et al., 2008; Dieleman and Sachs, 2008; Cantwell et al., 2010; Weik, 2011) at the highest level of relationship engagement (Baines and Viney, 2010). The scale and the scope of institutional entrepreneurship however goes substantively beyond descriptions in extant literatures, which are generally based on institutionally and politically stable advanced market contexts. This conclusion is derived from the level of leverage that the MNE exercised over political and institutional actors in the sensitive early stages of institutionalisation. Such propensity for institutional entrepreneurship would not have been possible without an in-depth understanding of the host government's reform objectives and the underlying strategic thinking. The pre-entry strategy was hence instrumental in deepening this understanding, and using it to inform ensuing market entry as a first mover.

¹⁰² Proactiveness and pre-emptiveness are used in the conceptual sense suggested by Lawton and Rajwani (2014) and Doh and Pierce (2004) respectively. There is also an orientation on Hillman et al.'s (2004) typology of proactive CPA.

Ultimately, Frinam represents a new breed of African home-grown EMNEs that are increasingly linking themselves strategically to the pro-market reforms underway on the continent. Characteristically, these EMNEs do not shy away from the fine-grained, resource-consuming and committed political work that is a prerequisite for reaping strategic value from the linkage. These politically highly proactive EMNEs that are driven by a continental vision are described as **Continental Activists** in this research, as part of a proposed typology of CPA in emerging markets. The shape and the character of emerging institutions at this generally early stage of reform strongly reflects the influence of these EMNEs on political and institutional actors as they grapple with the implications of pro-market reform. Such EMNEs also emerge as key players in the creation of a new form of state capitalism (Bremmer, 2009; Lehrer and Delaunay, 2009; Nölke and Vliegenthart, 2009; McNally, 2012; Li et al., 2014), that was and is increasingly manifesting itself on the continent. This manifestation effectively replaces previous direct market interventions by governments through *parastatals* (Alden and Soko, 2005) and other monopolistic arrangements. While many of these EMNEs are legally still state-owned, they are given substantial space to operate like private firms. But because senior members of the government sit on their governing boards, there is lots of opportunity to politically exploit the connection on both sides.

6.4.3.2 Moderately proactive/pre-emptive CPA resisted by the host government

While Avin's market entry¹⁰³ also occurred around the same time as that of Frinam, and it was a first mover in the electricity cogeneration segment, it did not initially

¹⁰³ This was effectively a market diversification, as Avin was locally based.

benefit from government support for its proposition.¹⁰⁴ It in fact experienced significant resistance, particularly because political and institutional actors had not yet embraced the strategic merits of electricity cogeneration. So in spite of possessing the deepest and longest experience in the country, and having operated at the highest level of relationship engagement according to Baines and Viney's (2010) categorisation, it experienced major challenges in winning political stakeholdership for cogeneration in the early years. Among other things, this indicates the quality of CPA needed for success even for an otherwise influential and highly politically embedded local firm like Avin.

The firm's experience further underlines the scale and the scope of government influence on business life in markets like this at the early stages of pro-market reform (Bergara et al., 1998; Henisz, 2000, 2002; Henisz and Zelner, 2005; Williams and Ghanadan, 2006; Del Sol and Kogan, 2007; Henisz and Zelner, 2010; Stal and Cuervo-Cazurra, 2011; Dau, 2012). This government influence is reflected in the ease with which projects that are directly linked to reform policy and predominant political agendas are facilitated. Cogeneration was at this stage of reform not a priority to the government, as it was convinced that the country's hydropower potential would suffice for its needs in the foreseeable future. There was hence no serious effort to diversify the national electricity supply mix or to mitigate the risk of overdependence on hydropower. This eventually proved to be a strategic mistake in light of a massive power shortage a few years later, precipitated by a heavy drought that forced water levels in the country's largest water reservoir, Lake Victoria, to sink to historically low levels.¹⁰⁵

¹⁰⁴ Avin had however benefitted from extensive government support for other projects in its long history in the country where it eventually evolved as the largest industrial conglomerate.

¹⁰⁵ <http://reliefweb.int/report/kenya/usda-low-water-levels-observed-lake-victoria>

Avin's political strategy at this early stage of reform hence did not fit well with the predominant political market forces at play (Bonardi et al., 2005; Bonardi and Keim, 2005; Holburn and Bergh, 2008; Holburn and Zelner, 2010; Kingsley et al., 2012). While it had been successful in other contexts in the broader market, the changed situation called for new approaches to CPA. However, the fact that the firm was able to pioneer cogeneration in these early years despite a hostile environment speaks for its 'emotional' strength and scope of strategic vision. The vision and the persistence were eventually rewarded when the government changed its view, henceforth recognising cogeneration as an important ingredient in the country's electricity mix.

The firm further performed some foundational political work by way of lobbying to win the World Bank as a strategic partner for an expanded cogeneration project. This in turn put the government under pressure to accept the firm's proposal, and this provides further evidence of the influence of multilateral institutions on such markets (Lawton et al., 2009) (see section 5.4 in chap 5). So while Avin had no positive response from the government in the early years, the worsening power crisis in the country made it politically conducive to lobby the bank for a change in policy. The bank hence emerges as a pivotal player here as well as in the Bujagali project. In other words, when there is resistance to a political strategy by a key stakeholder (in this case the government), one of the key options is to refocus stakeholder engagement strategies and to redeploy the requisite political resources and capabilities. Ultimately, the World Bank agreed to fund an expansion of Avin's cogeneration project. There is hence a need to identify strategic actors who have influence on government policy, even when the focal firm itself is not directly involved or has not met resistance. Avin achieved this with the World Bank, and Prolux with its home government. Such proactive but indirect CPA strategies appear

to be particularly effective in emerging markets like Uganda that are characterised by semi-authoritarianism and weak institutions.

Firms like Avin, which have grown up with the continent and are able to shape industry and institutions in the long run, irrespective of temporary setbacks, are described in this research as **Historical Entrepreneurs**. They are seen to be entrepreneurial both in a classical market sense but also in the emerging nonmarket sense that is the focus of this study (Lawrence and Phillips, 2004; Greenwood and Suddaby, 2006; Webb et al., 2010).

6.4.3.3 Moderately proactive/pre-emptive CPA supported by the host and home governments

Similarly, Pisu/Energy Global timed its entry to coincide with a moment in time when the country urgently needed a developer for the Bujagali project (see Fig. 5.6 in Chapter 5). No previous project had ever had such political and economic importance in the country and indeed the whole region, perhaps with the exception of the first dam when its construction began in 1948 and was completed in 1954 (Elkan and Wilson, 1967). One of the many indicators of the project's importance is the amount of money (approx. US\$ 110m) that the government spent annually on subsidies for the enormously expensive emergency thermal power during dam construction, and the cost to the economy due to power supply interruptions.¹⁰⁶ The urgent need for the dam also led to negotiations with lenders like the World Bank, especially since their reputations had been damaged by the failure of the first project.

¹⁰⁶ D002, D003

Not least, the World Bank was using the project to pilot new guidelines for social and environmental impact assessment that would eventually be used for all future projects of this nature (see table 5.13 in Chapter 5). Hence, not only did the project tap into Uganda's pressing need for more power generation, it also exploited an opportunity to become an international benchmark project on social and environmental impact assessment. Inherently, this was an opportunity to create a precedent for the international institutional antecedents of the corresponding CPA (Lawton et al., 2013b; Hillman et al., 2004).

The mother governments were also in full support of the project. Energy Global's home government also needed to give this support as part of its broader strategy to stabilise the East African region in the global war against terrorism (see table 5.12 in Chapter 5). Further, the replacement of an American MNE with a non-American one in such a high profile project would have damaged the image of American MNEs generally. Pisu's mother government finally had a strategic stake in the project, for historical reasons according to which Uganda was obliged to supply it with a fraction of its total electric power generation.¹⁰⁷

It is however also evident that the project was not as unreservedly proactive in trying to influence government policy as Frinam was. While it was proactive on certain points, it seemed to be highly selective about when and how it engaged proactively, especially with national political actors. At a local community and an international institutional level, on the other hand, the project shows features of high proactiveness. This was predicated on the fact that international regulators and the global community in general were particularly interested in the social and the environmental

¹⁰⁷ Uganda has traditionally supplied electricity to Kenya, and there is a long-standing agreement to this effect.

impact of the project, as verifiable at a local community level.¹⁰⁸ In effect, it is a case of an MNE having the ability to be proactive at multiple levels but preferring to be selective about where best to focus the available resources and capabilities. The previous developers had in retrospect made some strategic mistakes in this regard, based on poor decisions about where to focus activity.¹⁰⁹ Pisu/Energy Global appears to have rectified this mistake by being more sensitive to suitable development agendas, as reflected not least in the comprehensive stakeholder (re-) engagement exercise that was undertaken in the early days of the project (see Fig. 5.4 in Chapter 5).

Consequently, this emerges as a particularly instructive case of a merger between internationally astute political strategy on the one hand and locally dynamic political activeness on the other. It suggests that certain AMNEs are increasingly unable to go it alone in these fast-growing but still volatile markets. Neither are most EMNEs yet in a position to independently manage large projects like Bujagali. There is hence a mutual dependency and room for establishing strategic partnerships. Similar to Avin, Pisu is a historical entrepreneur. In fact, Pisu's mother company is a direct competitor with the larger Avin group in several important sectors of the economy in the East African region and beyond. With time, these EMNEs are expected to develop their technical and strategic capabilities to manage large projects like Bujagali on their own. For now, however, they are aware of their limitations and their need for strategic partnerships with their more experienced and advanced market counterparts. These MNEs and their strategic partners from more advanced markets are referred to as **Global Realists** in this study. The ability to selectively synergise global and local

¹⁰⁸ D005

¹⁰⁹ The previous AES Nile project generally neglected key local community stakeholders like CBOs and some local government officials, let alone being too confrontational with social and environmental activists. There further seemed to be a belief that strong association with the government, given its need for the project, made extensive engagement elsewhere unnecessary.

political capabilities emerges as their most important strategic characteristic, exemplified by leveraging local reality to a global dimension and infusing local reality with some global perspectives.

6.4.3.4 Highly adaptive CPA supported by the home government

Finally Prolux demonstrated a strategy of adaption to emerging institutional rules and an avoidance of direct political engagement (see tables 5.8 and 5.9 in Chapter 5). The strategy was characterised by strict compliance with emerging institutional rules, sometimes even going beyond expectations. The adaption was however predicated on a strong linkage to the home country's development aid policy in the energy sector in the host country. This policy was highly proactive and resulted in the home government, Norway, emerging as Uganda's closest development partner in the process of crafting the Electricity Act that initiated reform in 1999, and in its implementation thereafter. The MNE's behaviour therefore suggests that there are competitive advantages to be gained through an adaptive political strategy supported by a deep understanding of the home government's development agenda. So while there is indication of the compliance described by researchers such as Boddewyn and Brewer (1994), this is substantially nuanced, with proactive interaction with home country actors. These actors are in turn more directly involved with shaping policy and regulatory institutional frameworks in the host market.

Norway was also eventually involved as a strategic partner with the Ugandan government in constructing the Rural Electrification Agency as a sub agency of the core regulator. In light of Uganda having one of the lowest rural electrification rates in Sub-Saharan Africa, at about 6% (Haanyika, 2006; Kassaija, 2015), this was a

strategically important partnership that was positioned to substantively shape the fight against poverty and underdevelopment in the future. MNEs like Prolux that were politically well placed hence stood to benefit. The case is also an example of how MNEs from markets where transaction-based institutional processes (Jessie Qi and Peng, 2010) predominate can adapt to emerging market contexts where relationship-based approaches tend to be preferred. This is particularly shown by the interaction with the Energy Attaché at the home government's embassy, as explained below.

However there are risks and uncertainties that need to be mitigated here, too. Prolux achieved the mitigation not least by using its home government's policy in the host country as a bridging mechanism (Hillman and Hitt, 1999; Blumentritt, 2003; Hillman et al., 2004; Lawton et al., 2013a). The quality of bridging was predicated on a proactive engagement with development policy in the home country, with the aim of influencing it. Things were further enhanced by the fact that one of the original expatriate managers at Prolux ultimately became the Energy Attaché at the home country's embassy in Uganda, thus providing direct access to policy developments and other key information.

So while the project was directly linked to the host government's energy sector agenda, the linkage in political terms was only substantially exerted through getting embedded in the development aid networks and activities of the home government. But it is also noteworthy that the adaption was bolstered by a dynamic HR strategy that translated into a fully local staff within two years of market entry. This local staff was critical in formulating and implementing a more refined adaptive strategy. What emerges hence is an MNE that attains nonmarket strategic success by being highly adaptive. MNEs like this, which are exploring new ways of establishing a foothold in

emerging markets like Uganda through the adaptive strategies described above, are referred to as **Localised Hybrids** in this study.

6.4.4 Evidence of CPA and its impact on emerging institutions in early stages of reform

6.4.4.1 Introduction

Having assessed the scale and scope of linkage of the various projects to the government's agenda for reform, and some of the implications for market entry from a CPA perspective, the discussion proceeds to more explicitly address issues from an emerging institutionalisation perspective. There is a differentiation into early stages (theorisation to pre-institutionalisation) and intermediate (semi-institutionalisation) stages of reform (see Fig. 5.6 in Chapter 5 and table 6.3 in this chapter), to produce a framework for discussion. In examining the evidence for impact of CPA on emerging institutions in the early years of reform, there is a consideration of the levels of proactiveness and pre-emptiveness, as proposed by Doh and Pierce and Lawton and Rajwani (*op cit*). Elaborating on some of these ideas, this research develops and draws on a matrix of heterogeneous strategies: see table 6.3. There is further an attempt to filter the political capabilities underlying the chosen form of CPA, and to identify the implications for institutional emergence.

6.4.4.2 Highly proactive/lowly adaptive CPA

The early stages of reform in emerging markets provide the best opportunity for impact on the trajectory of emerging institutions. It is here that host governments seem to be most open to propositions by market entrants, especially when there is a

lack of benchmarks and resources for the implementation of the chosen reform model. The first-movers in the industry hence have several opportunities to proactively and even pre-emptively shape reform implementation let alone its formulation in their favour, especially if they overcome the risks usually associated with early entry (Doh and Ramamurti, 2003; Rahman and Bhattacharyya, 2003; Frynas et al., 2006; Magnusson et al., 2012). The propensity for proactive and pre-emptive behaviour is particularly high if, as in the case of Frinam, the market entry is in response to the explicit invitation of the host government. Frinam ultimately acquired a scale and scope of freehand to shape the industry that no other entrant acquired thereafter, not only from a regulatory institutional perspective, but also from a normative one (Scott, 2001). However it needed to do this in a way that preserved its reputation for fair play. This meant shaping institutions that were not only favourable to Frinam, but could also ensure the authenticity of the whole reform endeavour. In essence, this constituted a balancing act between business and institutional entrepreneurship.

At such an early stage of institutionalisation, many things are done informally, through a network of relationships with political and institutional actors. Observations here hence build on suggestions by some researchers concerning the institutional antecedents of CPA, particularly the relationship between formal and informal institutions (Hillman and Keim, 1995; Henisz, 2002; Blumentritt, 2003). In this case, informality was disproportionate to formality in these early years. While there was a progression toward more formality, the evidence points to a subtle resistance by some of the entrants to further formal institutionalisation, as will be explained later. In other words, there were particular advantages in sustaining a situation where relationship-based political capabilities were highly relevant. Frinam was influential in driving

this process and determining the point at which more formal institutionalisation was counterproductive for the firm and some other entrants (see table 5.9 in Chapter 5 and table 6.3 above). But for the early stages of institutionalisation, it provided the strongest support for basic institutionalisation and was effectively the point of reference for policy makers and institutional actors (see tables 5.8 and 5.9 in Chapter 5).

However all this happened as Uganda's parliament was making an effort to assert itself against a powerful executive. As will be discussed in the next subsection, the outcome was a modest rebalancing of power with implications for the political positioning of the firm. These changes essentially reflected the evolving dynamics of a semi-authoritarian African state still experimenting with democratic institutions. Frinam's first mover strategy also reflected a wider 'Africa Strategy' that its mother company was pursuing as it sought to dominate the electricity sector in Africa. Pre-emption and pioneering were accordingly critical ingredients of this strategy. Uganda was one of the first countries where this strategy was rolled out, providing important lessons for planned entry into other countries.

The behaviour described here reinforces the emerging archetype of a highly politically proactive MNE described in this research as a Continental Activist. The early years of reform were particularly conducive to the tendency by this archetype to influence emerging policies and regulations. It was also a convenient time to interest leading political actors to become partners in the MNE's broader continental vision for the electricity industry. Frinam saw itself emerging as the leading generator, transmitter and distributor of electricity in a continentally-interlinked grid that stretched from Cairo in the north to the Cape in the south (Gore, 2009; McDonald, 2009), something that would give it enormous possibilities from an integrated market

and nonmarket strategic perspective (Lawton et al., 2014). In turn, its government partners in the different host markets would also extract rich political capital from the symbiotic relationship.

A potentially important source of mutual benefit was Frinam's experience with rural electrification in its home market. With Uganda and several other African countries suffering from very low rates of rural electrification, there was an opportunity for a continent-wide strategic partnership with Frinam to change this situation. The company made a concrete proposal in this direction at the intermediate stage of institutionalisation as part of a strategic response to changing political environmental dynamics, as will be explained. The growing complexity and competitiveness in such markets is however illustrated not least by the observation above that Prolux's mother government had already entered a strategic partnership with the host government, regarding the institutional arrangement to drive rural electrification. This could eventually be of benefit to Prolux and related MNEs. Ultimately, there was an emerging competition here between proactive and reactive political capabilities and strategies and their diverse variants.

6.4.4.3 Modestly proactive/modestly adaptive CPA

While Pisu/Energy Global and Prolux entered the market in the second phase of pre-institutionalisation according to the mapping of the path in this research (see Fig.5.6 in Chapter 5), and could not directly benefit from first mover entry, they exploited other opportunities to impact on emerging institutions. Pisu/Energy Global's impact stemmed from its emergence as a new international benchmark project on supporting sustainable development projects and strengthening local institutions in the

community where the project was located (see tables 5.3, 5.4 and 5.9 in Chapter 5). The scale and scope of this work at the Base of the Pyramid (Prahalad, 2006) in Uganda was so large that it substantially challenged previous arguments by environmentalists and social agitators about the environmental and social credibility of the project (see table 5.13 in Chapter 5).

One of the project's most important political achievements was the extensive stakeholder (re-) engagement process that was carried out in its early stages to produce a new and more accurate stakeholder map (see table 5.3 and Fig.5.4 in Chapter 5). Important stakeholders who had previously been treated peripherally were hence identified and resources/capabilities were allocated towards their re-engagement. The political perspectives of multi-stakeholder engagement consequently emerge as fundamental to the success of such a complex project (Ghobadian and Viney, 2002; Calvano, 2008; Ghobadian et al., 2009; Crilly, 2011). A particular challenge here was that the stakeholders were very diverse at local level, with five tiers of local government¹¹⁰ to consider, as well as the various interests groups in the community. Pisu/Energy Global's most important strategic political capability in satisfying these diverse stakeholders was the scale and scope of work it put into reaching consensus on the institutions and development projects it would proactively support for the sustainable benefit of the community (see tables 5.3 and 5.4 in Chapter 5).

In negotiating this consensus and building the requisite relationships, the project actively embedded senior managers and their families in the community, making them accessible to the grassroots and different levels of local government. The result

¹¹⁰ Local government in Uganda consists of five levels of increasing reach and power, from LC1 (Local Council 1 at village level) to LC5 (Local Council 5 at district level). All these levels had a strategic stake in the Bujagali project.

was a sense of co-ownership of the project by the community, and a breaking down of the walls of hostility that had characterised the first project. The commitment of individual senior managers was particularly critical in this regard, and seems to have gone much further than extant literatures suggest (Blumentritt, 2003; Hillman et al., 2004). One explanation for the success of such a managerially-oriented CPA strategy might be that it strongly empathises with local African culture, where person-to-person relationships generally matter more than formal institutional arrangements.

In fact, there is a proverb in the hosting community: *Akubonaku akatono akira alagiriza*.¹¹¹ Roughly translated, this means 'The one who comes to see you personally, however briefly, is better than the one who keeps sending messages of greeting'. Hence, in the thinking and the psyche of this community, project managers and political and institutional actors are perceived as being more effective if they are informal and keen to relate face-to-face, than if they try to develop very sophisticated and formal but socially distant institutional structures. Managers that understand this basic reality of an African cultural context are destined to be more successful than those who overlook it.

However they need to be able, on the other hand, to merge this capability with the highly institutionalised and transaction-based expectations (Peng and Zhou, 2005; Bonardi et al., 2006; Jessie Qi and Peng, 2010) of international regulators with responsibilities of overseeing socially and environmentally sensitive projects. The integrated management of these polar approaches to institutions hence emerges as a critical political capability that Pisu/Energy Global was able to substantially master. The success of the strategy was predicated most importantly on identifying

¹¹¹ A proverb in the Lusoga language of the Basoga people who live in proximity to the River Nile at its source in Uganda.

committed and experienced local and international managers, who complemented each other and could easily get embedded in the community.

Pisu/Energy Global was able to integrate these various demands by using a selective approach to political proactiveness and adaption (see table 5.14 in Chapter 5). It was hence highly proactive regarding its hosting community and the international institutions responsible for its regulation. It was however modestly adaptive concerning national institutions, choosing to interact with specific institutional actors and certainly not to be as politically visible as Frinam was. This modest mix gave it the flexibility it needed to scale proactiveness upwards or downwards according to renewed multi-stakeholder-oriented reviews. Given the complexity of the project and its previous political difficulties, this was a strategically prudent approach to take.

Further, the project provided the government with an opportunity to learn important lessons, even as it prepared to contract out an even larger project further down the Nile at Karuma. Part of this learning came from the teams from diverse regulatory and oversight institutions,¹¹² which regularly visited the project together with international regulatory teams in order to assess it. In effect, these different teams were absorbing knowledge about regulating such a large and complex project. After the premature termination of the former project, this was the best opportunity yet for institutional learning in the sector (Hitt et al., 2005; Kamoche and Harvey, 2006). Not least, the project offered substantial opportunity to strengthen the international regulatory framework around such infrastructure projects in developing countries, especially from the increasingly important environmental and social impact assessment perspective. The project was, in conclusion, diversely supportive of

¹¹² Electricity Regulatory Authority (ERA), National Environmental Management Authority (NEMA), Directorate of Water Resources Management (DWRM), Ministry of Energy and Mineral Development, Ministry of Water and Environment

institutionalisation during these early stages of reform (see tables 5.8 and 5.9 in Chapter 5), and merged both local and international perspectives.

6.4.4.4 Modestly proactive/highly adaptive CPA

While Avin was also a first mover, this was in a sector (cogeneration) that was not considered critical to the country's energy mix by the government at the time. The firm hence experienced resistance when seeking to start the subsector. The situation was further compounded by the fact that Avin had been the local partner to the U.S. firm AES in the predecessor Bujagali I project. The level of excitement on the government's side was hence not high concerning this new venture. Later years however witnessed a change in the government's thinking, in light of delays in restarting the Bujagali project and the ensuing major power shortage in the country. Cogeneration and other alternatives to hydropower hence became important to the government as a means of overcoming the shortage.

By implication, one of the key political capabilities (Frynas and Mellahi, 2003; Holburn and Zelner, 2010; Lawton et al., 2013b) that a firm can master in such markets is to accurately anticipate change and to invest in work that offers competitive advantage at later stages of the industry development path. This anticipatory capability needs to be more refined in volatile emerging markets than is otherwise necessary in stable and mature institutional contexts, given the magnitude of potential risks and uncertainties (Luo, 2001a; Doh and Ramamurti, 2003; Khanna et al., 2005; Jensen, 2008; Henisz and Zelner, 2010; Dieleman and Boddewyn, 2012). When the Ugandan government, together with the World Bank, changed its views on the importance of cogeneration in Uganda, Avin had already positioned itself as the

benchmark for the subsector. It was hence able to substantively influence the emerging rules and norms for the sector. Thus, despite the resistance it met in the early years, the firm supported the creation of an institutional environment that would be conducive to developing cogeneration in the market (see tables 5.7, 5.8 and 5.14 in Chapter 5).

6.4.4.5 Lowly proactive/highly adaptive CPA

Finally, the Prolux case represents the dynamics of later entry for a small- to medium-sized dam project. While prioritisation by policy makers is understandably smaller, the case offers insight into how a benchmark status can be developed. This was achieved not by seeking to be proactive in relating with host political and institutional actors, but by developing excellence in being adaptive through compliance with the existing rules (see tables 5.4, 5.8 and 5.9 in Chapter 5). The project ultimately came to be recognised as the most compliant of all small dam projects in the country, and hence supportive of institutionalisation from this perspective. It is an example of using reactivity to achieve competitive advantage. At a much smaller level than Pisu/Energy Global, the project also excelled at supporting and strengthening institutions at the community-based level (see tables 5.4 and 5.7 in Chapter 5). Further, it was a showcase of the effectiveness of the home country's development aid policy, especially in the energy sector, given that MNEs like Prolux linked their market entry strategies to this policy (see table 5.12 in Chapter 5). As mentioned elsewhere though, this adaptive CPA strategy tends to be coupled with proactive supportive activity in the home country, as part of embedding the project in the political networks underlying development aid policy.

In conclusion, a variety of political strategies and underlying political capabilities combining both proactiveness and reactiveness becomes evident in these cases. There are different approaches to interpreting this early stage of institutionalisation and its political ramifications by the various market entrants. While some seek to proactively influence policy and regulation, as reported in extant literatures, others opt to excel at reactiveness. Others see value in being proactively anticipatory. All are however supportive of institutional emergence at this stage, as it is conducive to early forms of CPA, as part of getting effectively embedded in the political market. The support takes different forms and configurations, reflecting the emerging archetypes identified in the study, i.e. a continental activist, a historical entrepreneur, a local hybrid and a global realist.

From the above discussion, the following three propositions hence emerge:

Proposition 1) *In emerging markets undergoing regulatory institutionalisation, foreign market entrants deploy heterogeneous CPA strategies to achieve market embeddedness.*

Proposition 2) *In emerging markets undergoing regulatory institutionalisation, all market entrants support formal institutionalisation at the early stages of reform in order to create a facilitative environment for development of CPA strategies.*

Proposition 3) *In emerging markets undergoing regulatory institutionalisation, foreign market entrants deploy heterogeneous political capabilities at the early stages of reform, to embed managers in the communities hosting politically sensitive projects in order to win local support.*

6.4.5 Evidence of CPA and its impact on emerging institutions at intermediate stages of reform

This subsection now proceeds to examine the evidence for CPA and its implications for institutional emergence at the intermediate stages of reform. An explanation of what is considered 'intermediate' has been made in the introduction to the preceding subsection on the early stages of reform.

6.4.5.1 Highly proactive/modestly adaptive CPA

Both Frinam and Avin are observed to have changed to a highly proactive and modestly adaptive form of CPA, according to the strategic choice matrix in table 6.3 in this chapter. The behaviour underlying this strategic shift is henceforth explained.

Frinam

Just as Frinam had the strongest institutional impact during the early stages of reform, it emerges as the most prominent case in the research sample at the intermediate stages. However, whilst the firm was still the most powerful shaper of institutional emergence nationally, by virtue of its privileged relationship with national political and institutional actors, it was increasingly challenged by a more assertive parliament (tables 5.8 and 5.9 in Chapter 5). Parliament contested the firm's close relationship with the executive arm of the government, as well as the legality of its concessionary agreements. In spite of its limited ability to enforce the recommendations of two parliamentary commissions of enquiry and to reduce Frinam's influence in the sector, parliament was able to signal a need for a strongly revised CPA strategy. In effect, the case illustrates how an entrant can necessitate an institution like parliament to try to assert itself against competing institutions (Holburn and Vanden Bergh, 2002;

Azevedo-Harman, 2011). It is also an example of how MNEs can directly affect the development of democratic governance in such markets. Consequently, a renegotiation of the contracts became increasingly apparent as the best strategic option to settle the conflict. There was hence a need for the firm to politically reposition itself in light of the risk of a less favourable outcome after renegotiation (Mazzini, 1997; Doh and Ramamurti, 2003; Henisz and Zelner, 2010).

As a response to this changing institutional environment, Frinam was forced to explore revised approaches to CPA. This was a major change for an entrant that was till then used to setting the pace in the young industry. It effectively ended up revisiting its stakeholder map to reposition parliament. One of the most important capabilities it developed and strengthened at this time was a co-ordinated time and resource allocation of senior managers for intense interactions with Members of Parliament. This was intended to build new trust and to establish rapport at a basic level, something that had been considerably neglected in the early years, when strategy was predicated on unlimited support by the executive arm of the government. In a sense, the EMNE recognised the need to politically embed individual managers more deeply in the market. In contrast, Pisu/Energy Global recognised the importance of this need at a much earlier stage of market embeddedness, thus avoiding the significant resistance that Frinam experienced with time.

Further, Frinam took the lead in forming an umbrella association for generators and distributors of electricity in the market. Through this industry normative organ, it potentially had the opportunity to influence the development of collective positions in the sector in response to an increasingly assertive parliament, as well as other institutions (Scott, 1987; Scott, 2001; Ozer and Lee, 2009). The new organ would

also potentially consolidate Frinam's ability to drive the emergence of intra-industry norms. The continental activist was hence entering new territory of proactiveness in response to the evolving industry. In effect, it could no longer afford to rely on its relationship with a particular arm of government for competitiveness. Rather, it needed to explore new routes and develop new political capabilities. The situation called for a more adaptive stance to replace the unqualified proactiveness that was successful in the early years. The case hence illustrates how such highly political entrants respond to growing complexities of dependency on government as an institutional antecedent for formulating the appropriate CPA strategy (Hillman and Keim, 1995; Hillman and Hitt, 1999; Blumentritt, 2003). Ultimately, there was an integration of an adaptive and a proactive political orientation, with the proportionality determined by the specific circumstances as they became evident.

At a deeper level, Frinam was also developing a capability to resist hostile policy and regulatory changes in light of its diminishing influence in the sector. An industry umbrella association was therefore a good tool to develop and propagate favourable strategic positions. So while it had been proactively supportive of emerging institutionalisation in the first ten years¹¹³ in the market (see tables 5.8 and 5.14 in Chapter 5 and 6.3 in this chapter), it needed to strategically reposition itself if it was to secure its influential role (Holburn and Zelner, 2010). With Bujagali now complete and an even bigger dam (Karuma) set for construction, the market was getting thin for Frinam. Accordingly, it signalled a strategic interest in becoming a partner with the government to drive rural electrification, benefitting from its good experience in its home market. With Uganda's rate of rural electrification at only about 6% and one of

¹¹³ This was effectively the halfway point of the concession agreement (which was 20 years) to operate and manage the strategic dam installation at Kiira/Nalubaale at the Source of the Nile.

the lowest in Africa, this was a potentially redeeming strategic repositioning for the EMNE (Mbugua, 2005; Haanyika, 2006; REA, 2014).

Hence, while it remained largely proactive, it recognised the need for an adaptive element in a more nuanced strategy. But it is an adaption that is qualitatively different from, say, what Prolux followed as it still contained a strong proactive element. In general, the EMNE was subtly resistant to any further institutionalisation that would endanger its privileged status. It was at the same time aware of its limitations in light of the changing strategic environment, and therefore the need for new political strategies to sustain its continental activism.

Avin

Avin, on the other hand, experienced a much more comfortable institutional situation in later years, following the challenges it experienced in lobbying for government backing for cogeneration in Uganda at the start. The reversal of the government's position to one of supporting the development of the market segment converted the firm into a benchmark for the sector (see tables 5.7 and 5.8 in Chapter 5). The change further encouraged it to gradually expand its cogeneration activities from a meagre 6 MW to a substantive 51 MW. Not least, Avin was now placed in a position to start internationalising into neighbouring markets, where it was offering cogeneration alongside traditional sugar production. The proactiveness here is considered 'organic', as it emerged out of the firm's sustained engagement with its strategic objective to lead cogeneration in the host market, irrespective of initial resistance from the government and other key stakeholders, and starting with an embryonic project that was ultimately expanded.

The observed proactiveness further constitutes a form of learning and preparation for entry into other emerging markets, at a sophisticated level of understanding the idiosyncrasies of political actor behaviour. EMNEs appear to be mastering this capability at an increasingly high level (Daniel et al., 2004; Cuervo-Cazurra, 2008; Cuervo-Cazurra and Genc, 2008; Ramamurti and Singh, 2009; Hennart, 2012). While Avin emerged as the market leader in cogeneration however, it concluded that an institutional maturation beyond semi-institutionalisation was not in its best strategic interests. This is illustrated, for example, by the highly publicised clash between the then Minister of Energy and the head of the regulatory body, concerning increasing Avin's tariff claim from its supply to the national grid. It is an example of how EMNEs use their political connectedness to resist forms of further institutionalisation which they deem a threat to their competitive advantage (see table 5.10 in Chapter 5). Effectively, the firm evolved from being highly anticipatory in the early stages of reform to being highly proactive in later stages, in a way that supported and (subtly) resisted institutionalisation respectively (tables 5.9 and 5.14 in chap 5). Its patience and long-term strategic orientation appear to reflect a deeply embedded historical entrepreneur as previously defined.

The organic proactiveness observed here may also be the solution to what Sun et al. (2010a) suggest is a danger when MNEs get deeply embedded in the political and institutional context, only to become vulnerable when circumstances change. Avin was able to withstand a period of sustained hostility to its strategy and to cumulatively turn it into an advantage, by organically growing its CPA strategy and not being too dependent on particular political actors. But this is a strategic recourse that might only be accessible to MNEs like Avin that have a historic track record in the market, and the ability to occasionally challenge a hostile government.

6.4.5.2 Modestly proactive/modestly adaptive CPA

The intermediate years along the industry development path (see Fig. 5.6 in Chapter 5) constituted the period when the Pisu/Energy Global project became operational, with a major easing of the power supply crisis in the country.¹¹⁴ Its most important impact at this stage of industry development was to consolidate its position as a new international benchmark for large infrastructure projects in emerging markets, particularly from a social and environmental impact assessment perspective.

Pisu/Energy Global chose to focus on the local and the international institutional dimensions of its project, not least because that was the focus of most of the assessment directed at it. This is why this discussion argues that it preferred selective proactiveness as its CPA orientation. Its most important target for political activity was the local community, as this is where the difference between it and the previous failed project would become most evident. More broadly, it evolved as a case study of how MNEs can impact on development dynamics at the Base of the Pyramid. They do this, among other things, by balancing the quest for a good return on investment with credible, substantial and sustainable benefit for the communities affected by the project (Frynas and Mellahi, 2003; Frynas et al., 2006; Prahalad, 2006). Achieving this balance is a function of highly embedded political capabilities that this project was able to nurture with some good level of success.

The local partner, Pisu, was supportive of further institutional emergence in the market, apparently confident that the extensive international experience of its partner would suffice to maintain competitiveness under more institutionalised contexts. This would also allow the firm to benefit, from its political capabilities at exploiting weak

¹¹⁴ The finished dam was commissioned and went into operation in 2012

institutional contexts, and by learning from its partner's experience in more institutionalised contexts, especially if the partnership was to be leveraged for entry into new markets. The synergy of the joint venture was hence effectively starting to bear fruit.

At this intermediate stage of institutionalisation, the project's substantial investments in local development initiatives and institutional strengthening were beginning to have a positive impact in the hosting community and beyond. Further, a sense of co-ownership of the project and a shared stake in its success were largely evident at diverse levels of the wide multi-stakeholder field (Fig. 5.4 in Chapter 5) (Ghobadian and Viney, 2002; Ghobadian et al., 2009; Crilly, 2011). Consequently, there was no reason to stop supporting institutionalisation, especially at the community level (see tables 5.8 and 5.9 in Chapter 5). Not least, the project had passed the new, more comprehensive social and environmental impact assessments by the international regulators, evolving into a benchmark (tables 5.3 and 5.4 in Chapter 5). So again there was no reason to resist revised standards of international regulation becoming institutionalised. Selective and modest proactiveness and adaption towards political and institutional actors is hence a strategic political choice, with the potential to reap huge benefits if carefully applied.

Ultimately, the case illustrates how internationally politically experienced MNEs like Energy Global, and locally embedded ones like Pisu, are behaving in ways that reflect a growing understanding of successful global strategies that are infused with a local realism. The variant of CPA emerging out of this realisation has substantially informed this study, characterising the corresponding MNEs as global realists.

6.4.5.3 Modestly proactive/highly adaptive CPA

Prolux's impact at later stages of institutionalisation showed a consolidation of its emerging status as the benchmark for projects in the small- to medium-sized range. It achieved this from an adaptive approach that emphasised compliance with rules. It is however noteworthy that it represented the small and medium-sized projects on the founding team of the industry umbrella association spearheaded by Frinam. There was hence an opportunity for it to become more proactive in pushing for the interests of the smaller projects. Such a stance was further informed by a consolidation of the MNE's HR strategies to strengthen the local team and the seamlessness of its strategic interaction with the mother company. Also, the strategic linkage with the home country's work in the region was strengthened by promoting the project as a case study of successful Norwegian development aid policy.

Consequently, Prolux supported institutionalisation both at the early and at the intermediate stages of reform (see tables 5.8 and 5.9 in Chapter 5) from a proactively adaptive perspective of compliance to the rules. This appears to be related to the experience of the mother MNE in dealing with highly institutionalised contexts, and the development aid policy of the mother government to support institutional emergence in the host country. In theoretical terms, while Prolux's behaviour generally falls under the 'reactive' political strategies observed in extant literatures (Weidenbaum, 1980; Hillman and Hitt, 1999; Hillman et al., 2004), it reveals characteristics that suggest a need to infuse a dynamism that precipitates a more proactive trajectory. This research argues that this need is conditioned by the volatility in emerging markets experimenting with pro-market reform. The political capabilities required for success hence surpass what Weidenbaum (1980) calls 'positive anticipation' or the reactively oriented 'adaptive' approach posited by Doh

and Pearce (2004), by virtue of the stronger dynamism needed to relate with a substantially ever more complex situation, institutionally and politically.

Prolux's approach of deploying local HR-based political capabilities to infuse a proactive element in an otherwise predominantly adaptive strategy is one of the key reasons for characterising it as a localised hybrid in this study. As opposed to the global realist represented by Pisu/Energy Global, the localised hybrid is not intent on replicating entry in neighbouring regional markets, preferring to focus on the selected market. The 'localisation' in effect goes deeper, whilst not equalling a purely local EMNE like Avin. This study also notes that these embeddedness strategies could lay the foundation for the organic growth of such projects in the future, and are one of the ways AMNEs can attempt to compete in these 'new frontiers' (Raman, 2009) of FDI activity. In light of the extremely low rates of rural electrification in Uganda and other Sub-Saharan African countries, such experiences could eventually be leveraged to play an important strategic role in developing a network of small- to medium sized dam projects on the continent to address this need.

6.4.5.4 Anticipatory adaption

This research considers anticipatory adaption to be a form of corporate political strategy that entails proactive posturing for the exploitation of a future strategic opportunity. While it could be positioned under the reactive strategies previously described, for example as highly adaptive/modestly proactive, it is considered to contain such a strong forward-leaning characteristic in an emerging market context that extant literatures do not accurately capture it. The most prominent example in this research was Frinam's expression of interest in becoming a strategic partner in a

future project to improve the extremely low levels of rural electrification in Uganda.¹¹⁵ Strategically, the EMNE was anticipating that the government of Uganda could not fail to do something about this appalling statistic.

After closer analysis however, there was more to Frinam's behaviour. This has to do with the challenges discussed earlier which it met in the later stages of institutionalisation, particularly the emerging assertiveness of the Ugandan parliament. With the Bujagali dam now operating and with an even bigger project on the horizon (Karuma), Frinam's influence in the market was destined to wane. The proposition to become the preferred partner for rural electrification hence emerges as an opportunity for a strategic re-orientation. Consequently Frinam was politically raising the stakes for a development project with potentially the highest transformational power in the host country.

Anticipatory adaption is hence a strategically dynamic CPA form that was an important ingredient in the firm's CPA constellation. While the core strategy was still predominantly high proactiveness/modest adaption, as discussed earlier, things were nuanced by other elements, like anticipatory adaption, to reflect a politically and institutionally more complex situation. The behaviour also underlined the extent to which continental activists like Frinam were prepared to go to remain politically relevant.

The matrix below captures the overall behaviours of the different cases in response to different stages of institutionalisation, as discussed above.

¹¹⁵ Uganda is believed to have the lowest rate of rural electrification in Sub-Saharan Africa at only about 6% (with a national average of 15%, which is below an average of 30% in SSA). Rea (2014).

Table 6.4: Summary of behaviour toward regulatory institutionalisation at different stages

	Institutionalisation stage	
MNE behaviour	Pre-institutionalisation	Semi-institutionalisation
Resist	NONE	Independent EMNEs (Frinam, Avin)
Support	ALL	Independent AMNES (Prolux) EMNEs in JVs with AMNEs (Pisu)

(Researcher's interpretation)

6.4.6 The broader conceptual perspective on CPA in emerging markets

In reflecting on the institutionally-oriented discussion above, some aspects can be identified and integrated to inform a broader conceptual perspective. Perhaps the most important observation is that CPA is in reality a much more variegated phenomenon than suggested in extant literatures, which mainly orientate themselves on stable institutional contexts in advanced markets. In these literatures, there is a tendency to represent CPA as a simple and straightforward choice between proactive and reactive extremes. The evidence in this research, however, suggests that MNEs can shift from one orientation to another and that sometimes they even deploy a combination of both theoretical options. Choices here were a function of the stage of institutionalisation and the political imperatives surrounding it. So while all MNEs supported institutionalisation to one level or another in the early stages of reform, they did this using heterogeneous political capabilities rooted in diverse nonmarket strategic considerations.

Further, the split into a camp that largely supported institutionalisation and one that tended to subtly resist it at intermediate stages of institutionalisation (see table 5.9 in Chapter 5) reflected diverse conclusions and choices about political strategy. There are hence levels of proactiveness and reactiveness that underlie CPA in new emerging markets, and that reflect the stage of emerging institutionalisation. Where extant literatures talk of positive anticipation and any other variants of the polar choices (Weidenbaum, 1980; Bonardi et al., 2005; Bonardi and Keim, 2005; Hillman and Hitt, 1999; Hillman et al., 2004), the reality in pro-market, reform-oriented but still volatile contexts is significantly more complex.

Not least, institutional emergence exposes itself here as a substantially more politicised process than extant literatures have so far documented (Oliver, 1991). A regulatory authority that is supposed to be autonomous and the ultimate symbol of reform is captured substantially here by powerful political interests. The authority and related institutions are hence continually fighting for legitimacy and recognition (Deephouse and Suchman, 2008). While CPA can be supportive, it can hence also undermine the development of effective institutions. More fundamentally, the understanding and practice of CPA can have implications for the emergence of democratic institutions in such markets. Frinam, for example, initially focussed its political strategy on the executive arm of the government, substantially neglecting the legislative arm. Such choices, whilst being strategically rational for the MNEs in the short- to mid-term, can potentially weaken the democratisation process and undermine the checks and balances to which balanced government institutions are otherwise supposed to conform (Henisz, 2002; Henisz and Zelner, 2005).

Propositions

From the extensive discussion above of political behaviour at the intermediate stage of institutionalisation, the following propositions are now made to complement propositions 1, 2 and 3 based on the early stage:

Proposition 4) *In emerging markets undergoing regulatory institutionalisation, firms that leverage political capabilities to exploit weak institutional contexts resist formal institutionalisation at the intermediate stages of reform if there is a perceived threat to their competitive advantage.*

Proposition 5) *In emerging markets undergoing regulatory institutionalisation, strategic partners with political capabilities for weak institutional contexts support further formal institutionalisation at the intermediate stages of reform if their partner possesses complementary capabilities for strong institutional contexts.*

Proposition 6) *In emerging markets undergoing regulatory institutionalisation, foreign market entrants with political capabilities for strong institutional contexts support further formal institutionalisation at the intermediate stages of reform in order to leverage their experience.*

6.5 Market embeddedness - the political environmental perspective

6.5.1 Introduction

The discussion now takes a closer look at the political environment that surrounded the market embeddedness of the MNEs in question. The issues that are examined clarify the institutionally-oriented discussion in the previous section, as part of understanding CPA in Uganda. They subsequently strengthen the basis for an

integrated institutional and political environmental perspective in the final section of the discussion. The three most important subthemes that inform the discussion are lobbying and political connectedness, political risk and salience of issues (see tables 5.10, 5.11 and 5.13 in Chapter 5).

6.5.2 Key insights from the political environmental perspectives

In summary, the political environment plays a major role in shaping the CPA strategies of entrant MNEs in a new emerging country. This is reflected specifically in the form that lobbying and political connectedness takes, the characteristics and the patterns of political risk and salience-based dynamics, such as those surrounding environmental and social impact. Further, the political environment is mirrored in the demands of the stage of institutionalisation and the level of democratisation. This latter aspect manifests itself particularly in the nature of the relationship between the legislative and the executive arms of the government, frequently leading to challenges for MNEs in deciding where to focus political activity. The complexity and the level of volatility in the political environment mean that entrants must be flexible in their approach to politically-oriented decision-making, and that there is no universally applicable strategy. This is a further justification for the need to deploy heterogeneous political strategies, as has been argued earlier.

6.5.3 Lobbying and political connectedness

This emerged as the most important factor underlying market embeddedness from a political environmental perspective (see Fig. 5.7 and table 5.10 in Chapter 5). The key deeper subthemes it encapsulates are henceforth discussed and placed in a stronger conceptual context. These themes are social and political networks, HR strategy, the

benefits and pitfalls of closeness to government, the alternatives to closeness to government and the advantages and the challenges of a home-grown firm.

6.5.3.1 Identifying and exploiting social and political networks

This factor mirrors the ‘social and political capital’ factor identified under the ‘political market embeddedness’ category in section 5.6, hence underlining its broader strategic utility. Given the major political challenges that the failed Bujagali I project had faced, there was a conscious recognition by Pisu/Energy Global of the need to invest strongly in social and political networks through which they could lobby for support for the new project. Pisu, as the lead partner for market entry and also the one with the deepest and longest understanding of the hosting region, naturally led the effort to lobby and to initiate new political connections in the host market. The Kenya-based EMNE had already developed a substantive history in Uganda by virtue of prior investments in other sectors of the economy (AKDN, 2014), thus possessing substantial local knowledge from which it could draw (Javernick-Will, 2009; Berger et al., 2011).

Pisu’s strategic experience in the region was further underlined by the background of the lead manager of the joint venture project. As a management consultant he had been involved in drafting the reform policy for Uganda’s electricity sector.¹¹⁶ Here again it becomes evident how important it is for prospective entrants to possess anticipatory capabilities that can identify and attract such expertise (Weidenbaum, 1980; Lawton et al., 2013b). As explained earlier, however, the anticipation assumes a more active stance than is currently reflected in extant literatures, almost tending to proactiveness. On closer examination, this exposes itself as a function of the levels of

¹¹⁶ 1007

uncertainty and volatility in such markets, and the dependency on personal relationships to move things forward. Hence, through recruiting managers who were previously engaged with Uganda, a foundation was laid for substantive access to political and social networks in the market (Peng and Zhou, 2005; Jessie Qi and Peng, 2010; Holburn and Zelner, 2010; Sun et al., 2010a; Zhou and Delios, 2012).

So while Frinam depended extensively on getting embedded in social and political networks it had to identify and explore, supported by its pre-entry activities, Pisu/Energy Global's entry and embeddedness was strongly predicated on political and social networks that the local partner (Pisu) had historically accumulated. This illustrates one of the strengths of strategic partnerships, in that they can tap into the existing resources, capabilities and the political connectedness of the local partner, something that greenfield entrants may struggle to do (Henisz, 2000, 2002; Jensen, 2008; Henisz and Zelner, 2010; Luiz and Ruplal, 2013). Regarding Sun et al.'s (2010a) argument that getting embedded in such existing networks can eventually become a liability if circumstances change, the reality in such markets is that substantive political change is rare. Yet when there is a change, it can have an annihilating impact on some networks (Dieleman and Sachs, 2008). There is, for instance, a growing unease about what will happen when Uganda's long-serving president finally leaves office. This will seriously test the solidity of the situation in the country, not least in the electricity industry and the emerging institutions surrounding it.

Lobbying and political connectedness however presuppose a strategic fit with the broader agendas and priorities reflected in the environment. Hence Avin was historically the most embedded firm, and enjoyed the richest set of political and

social networks of all the cases (see tables 5.5 and 5.10 in Chapter 5). Its venture into electricity cogeneration, however, did not fit with the predominant political thinking and agendas in the early years. It could thus not fully benefit initially from its historical status, inasmuch as it benefitted in later years. Had it been a fully new entrant without any other investments in the market, however, it would have risked being forced to exit. On the other hand, this might be an example of how such firms are developing strategic political capabilities to survive in hard conditions, in order to substantially benefit from their established networks at a later point in time (Cuervo-Cazurra and Genc, 2008; Stal and Cuervo-Cazurra, 2011). With time, Avin emerged as the market-leading firm for electricity cogeneration in the country, and was aiming for leadership in the Great Lakes region.

6.5.3.2 HR strategy

One of the key determinants of success in tapping into the social and political networks discussed above is having an HR strategy that is dynamically capable of identifying, recruiting and empowering local staff who can exploit and expand this capital. Of critical importance is the capability of such employees to initiate and nurture relationships with key political actors in a way that substantially benefits the project. This builds on suggestions in extant literatures that comprehensive understanding of the extent and dynamics of dependency on government is an important antecedent of CPA (Hillman and Keim, 1995; Hillman and Hitt, 1999; Blumentritt, 2003; Hillman et al., 2004). The scale and scope of understanding this relationship might be even higher in emerging markets, given their history of frequent instability and turbulence.

Consequently, there was an inherent need to identify people who had strong political connections or who could quickly develop this connectedness. It is noteworthy hence that some of the leading employees at the projects had previously been senior officers in key government institutions responsible for the sector. The potential for them to leverage their previous professional networks and knowledge for the benefit of the projects was therefore high. Further, when the construction phase ended and less staff were henceforth needed for the operational phase, many of these employees returned to these institutions, thus strengthening the external network and connectedness buffering the project.

The importance of a fitting HR strategy (Harvey et al., 2000; Harvey, 2002; Li and Scullion, 2010) is richly reflected in the case of Prolux, which used it at a later stage of getting embedded in the market. It did this as part of strengthening local content in its managerial and employee ranks, with implications for the long-term approach to lobbying and political connectedness. Interestingly, the company gradually opted for a reactive strategy that kept politicians at arm's length, focussing instead on strictly complying with existing rules and building relationships with institutional technocrats. This was predicated on competently bringing together a team that could compensate for the need for classical proactive political connectedness and lobbying. Depending on the stage of institutionalisation and the level of influence, an MNE can hence set new standards for HR practices (see table 5.7 in Chapter 5). Frinam hence significantly influenced trajectories in the early years, in some cases acting as a source of skilled staff for later entrants. Pisu/Energy Global, for instance, sourced its General Manager from Frinam. This extended network can be politically useful when lobbying for industry-wide consensus.

6.5.3.3 The benefits and pitfalls of closeness to government

Frinam possessed the most intense strategy for lobbying and exploiting political connectedness (see table 5.10 in Chapter 5). Most of its advantages and foresight in this were enabled by proactive and anticipatory political activities. These culminated in one of its senior managers being recruited as the managing director of the state monopoly in the final two years prior to reform of the industry. This effectively brought Frinam into Uganda's electricity market, even before it formally made an entry. It also indicates the scale and the scope of engagement needed to develop effective CPA strategies in such fluid contexts (Frynas et al., 2006; Sun et al., 2010a). The manager was hence able to access strategic information, interact with the key players in the young industry and make recommendations for restructuring in a way that helped the future bid by Frinam to enter the market. While Frinam publicly denies having attained any advantage, external observers and analysts agree about the strategic advantage it had.

The firm also recognised the advantages of being a first-mover, which it concluded outweighed the costs (Rahman and Bhattacharyya, 2003; Khanna et al., 2005; Frynas et al., 2006; Stal and Cuervo-Cazurra, 2011; Khoury and Prasad, 2012; Magnusson et al., 2012; Mair et al., 2012). The magnitude of customised political capability development that emerged during pre-entry however, especially the building of important networks and relationships, underlines the extent of proactive engagement needed to make a first-mover entry successful in such politically fluid environments. At the formal bidding stage, Frinam was hence in a position to strongly demonstrate that it understood the industry in which it was to henceforth play a central role.

During the official bidding for the project, Frinam's competitors felt heavily disadvantaged and questioned the fairness and robustness of the process. This strongly contrasts with the experience of Pisu/Energy Global, where a very strict bidding procedure was followed. Yet this would have been much harder without the extensive corporate political experience of Pisu in the region. Ultimately, Ponto was named by Frinam as the head of its subsidiary in Uganda after winning the concession for the Nalubaale/Kiira plants. There was perhaps no better way Frinam could have honoured Ponto than placing him at the helm of the new subsidiary. Ponto therefore effectively set about building on the foundations he had laid for himself.

Later years however were characterised by some serious political challenges, as the already uncomfortable relationship between Frinam and the parliament of Uganda deteriorated even further. The tension culminated in highly critical comments about Ponto's behaviour as a manager in two separate parliamentary reports. The case in effect shows the potential risk surrounding person-oriented entry and embeddedness strategies, as will be discussed further in the next subsection. In other words, while managerial personal influence can be an important antecedent for successful CPA in these emerging markets, there are potential pitfalls that need to be considered (Cook and Barry, 1995; Hillman and Keim, 1995; Blumentritt, 2003; Hillman, 2003; Hillman et al., 2004). It is also an indicator of the difference between these new emerging markets and the politically more stable ones like China, where the relationship between the different political institutions has largely been clarified (Sun et al., 2010a; Tian et al., 2007).

About two years after becoming managing director of Frinam in Uganda, Ponto was made CEO of the market-leading power distributor in Uganda, which was a joint

venture at the time between Frinam and Globeleq.¹¹⁷ This was the latest stage in a story of HR strategic positioning and placement based on a highly proactive corporate political strategy that Frinam was pursuing in Uganda, as well as over the whole continent. Ponto was at that stage probably the most influential manager in Uganda's electricity industry, having developed an extensive portfolio of relationships. However, all this would not have been possible without the explicit involvement of the home and host governments in the entry. At this early stage of institutionalisation in the sector, and the corresponding asymmetry of information and knowledge in favour of the MNEs, the conditions were hence conducive to building relationships like these and developing them as social and political capital (see table 5.5 in Chapter 5) (Acquaah, 2007; Singh, 2007; Holburn and Zelner, 2010; Hongxin and Kim, 2011). Such capital could be strategically and diversely drawn on along the path of institutionalisation, as a response to evolving political market demands.

6.5.3.4 Alternatives to closeness to government

The Prolux case shows the lowest intensity of lobbying and dependence on political connectedness. In fact, there was a conscious effort to avoid direct engagement with politicians. The strategy is a reflection of rational conclusions about the realities of public political life in Uganda. Engagement and identification with particular politicians would effectively constitute taking sides in highly charged political debates, pitching one section of the community against another. Ultimately, this would undermine the potential to reach out to the whole community and make them all stakeholders in the project (Baines and Viney, 2010; Crilly, 2011). The managing director pointed out though that extra care was taken to engage with non-political

¹¹⁷ Globeleq is an emerging market subsidiary of the Commonwealth Development Corporation (CDC). Frinam later relinquished its stake in the venture, opting to concentrate on the generation segment. Ponto however continued as head of the venture, thus still providing a friendly connection for Frinam.

technocrats at both central and local government level. In effect, the strategy of minimal engagement with politicians simultaneously meant a meticulous attention to compliance requirements at different institutional levels (Boddewyn and Brewer, 1994; Hillman and Hitt, 1999; Hillman et al., 2004). Without this compliance, there was potential for vulnerability to the very politicians that were being avoided. Compliance hence constituted a shield against political interference.

Whilst this was the political strategy post-entry, there were however indications that considerable political work was carried out in the home country as part of securing the licence and the funding for the dam. This work led to a partnership with the Norwegian Investment Fund for Developing Countries, which henceforth had a 27.5% share in the project. Home country political and social relations like this emerge as an important resource, particularly for AMNEs like Prolux with limited experience in emerging markets. Inasmuch as the scale and the scope of these relations cannot be compared to those used by Frinam in its home market, they nevertheless play an important role in reducing the risk of entry and embeddedness. They are also indicators of emerging trends in development aid policy at the interface with MNE internationalisation strategies.

6.5.3.5 The advantages and challenges of a home-grown EMNE

In contrast to the other three cases, Avin's historical record as Uganda's largest and most successful home-grown industrial conglomerate theoretically meant that it was not so critically dependent on lobbying (see table 5.10 in Chapter 5). All it really had to do was to summon its already well-established network at all levels of society, including the government. Given that the company had no prior substantive practical

experience in the power sector however, apart from the aborted project with AES to develop the Bujagali dam, it could not exclusively depend on historical advantages. The need for engagement had indeed been strongly illustrated in the build-up to the terminated project. Documentary evidence suggests that there was extensive lobbying and collaboration with Ugandan government officials as part of preparing to make a bid for what would be Africa's biggest private investment project at the time (Desai, 2007; Ketchum, 2012).

After the collapse of the venture with AES, the Avin group put in another bid in response to the search for a new developer by the government of Uganda. However that second bid was not strong enough, not least because this time it lacked the references of a globally-experienced partner. In effect, it was a case where the group could not exclusively rely on its otherwise strong local and regional strengths to secure the licence, pointing to the mutual benefit that the joint venture partners in such complex infrastructure projects can accrue (Dacin et al., 2007; Zhang et al., 2007; Acquaah, 2009; Yu-Ching et al., 2010). In this particular case, the global partner needed to obtain international political and social capital so that the project could synergise with the local portfolio of the local partner. As such economies like Uganda grow and become more sophisticated, their home-grown EMNEs are expected to grow in strategic stature too (Ramamurti, 2004; Aykut and Goldstein, 2006; Cuervo-Cazurra and Genc, 2008; Ramamurti and Singh, 2009; Rugman, 2011; Hennart, 2012; Gaffney, 2012; Luiz and Ruplal, 2013). They are hence expected to acquire the critical mass of technical skills and capabilities to be able to manage large projects without necessarily entering cross-border partnerships. This will then almost certainly change the political market dynamics surrounding such projects.

In conclusion, the four cases expose important differences and similarities in approach to lobbying and political connectedness. These could be explained by the form of market entry, as well as contingent dimensions like the internationality of the project, the historical imperatives at play and the stage of emerging institutionalisation. Importantly, there were no rules in place yet to regulate activities around lobbying and political connectedness, reflecting the reality of early reform in such markets. Matters were compounded by the fact that Uganda was playing a pioneer role in reforming this utility sector so extensively and had no benchmarks from similar emerging countries to draw on (Karekezi and Kimani, 2002; Williams and Ghanadan, 2006; Keating, 2009; Dau, 2012). In consequence, the observed behaviours reinforce the archetypes that have been identified in this study.

6.5.4 Political risk

6.5.4.1 Introduction

This section proceeds to examine issues surrounding political risk and their implications for CPA. It builds on elements that were introduced in ‘risk and uncertainty’ (section 6.3.8) under market entry, and which are further captured under the ‘political interference’ and ‘mother-host government’ factors in section 5.8 of the findings chapter. The key considerations are large dam projects, the dynamics of state-owned enterprises (SOEs), the implications of emerging reconfigurations of government, the mitigation of risk through adaptive strategies and historical political embeddedness and its limitations.

The most important feature of political risk in Uganda for the period under consideration was the fact that, compared to previous periods of extreme political turbulence and insecurity, the government in power had brought relative stability and

security to the country (Ori Amara, 1999; Robinson, 2007; Kuteesa et al., 2010). So while there was still uncertainty about the failure to reach a negotiated settlement with the insurgents in the north of the country and some other small groups, the government was evidently winning on the battle front and had international backing for fighting the extremist groups. Most country rating agencies also predicted continued political stability, albeit potentially vulnerable to the growing perception of an autocratic tendency by the president, and his unwillingness to leave power (Tripp, 2010). This perception was reinforced by a controversial amendment to the constitution in 2005 that lifted presidential term limits, thus entrenching the president's claim to power. All this hence constituted important aspects of the political context that surrounded pro-market reform in various sectors, including electricity (see details in background Chapter 2).

6.5.4.2 Large dam projects

The success of the Pisu/Energy Global project appeared to depend a lot on relatively low political interference. The acute power shortage in the country and the urgent need for Bujagali to help meet this need created a situation where aggressive political interference was risky. Given the negative experience with the previous failed project, the government and its partners were keen to make the new project work this time. They had hence learnt major lessons and were on course to have a positive second experience. The situation also testifies to the advantages of the low-profile (Kingsley et al., 2012) but carefully crafted political approach that Pisu's mother company generally used in its markets, as noted elsewhere.

The most important source of political risk for such projects was the potential for social and environmental protection groups to galvanise mass resistance. The terminated former project had been strongly affected by this. Using a refined stakeholder management approach however (Fig. 5.4 and table 5.3 in Chapter 5), Pisu/Energy Global was able to address the opponents' main concerns and to significantly change the local and global political perception of the project's merits. Of critical importance was the formulation and implementation of a comprehensive stakeholder review and re-engagement initiative in the communities hosting the project. Consequently, key stakeholder groups that had previously been neglected or only weakly accommodated were now elevated to higher levels of stakeholder engagement (Ghobadian and Viney, 2002; Ghobadian et al., 2009). Not least, the project underwent one of the most comprehensive social and environmental impact assessments ever carried out for a dam project in emerging markets, eventually evolving into a benchmark for the new regulatory guidelines that the World Bank and other international regulators were deploying. The transparency and the level of detail hence served to assuage persisting concerns in many quarters, and ultimately to significantly reduce the political risk associated with the project. In essence, the multi-stakeholder approach and its highly refined political dimension was another defining feature of a successful 'global realist', as identified in this research.

6.5.4.3 The dynamics of a state-owned enterprise

By virtue of Frinam being a state-owned utility in its home market and having entered the market under the host government's direct championing, political interference was effectively pre-programmed. In the home market, however, the company had attained a substantive level of autonomy in spite of being state-owned. This autonomy was a pre-condition for clear strategic thinking about continental expansion

unhindered by undue political interference. Yet when political support was needed at various points, it was readily available. The home government's support in getting a senior Frinam manager recruited as the last managing director of Uganda's monopoly utility prior to reform, and ultimately in securing the concession for the main dam in the country, exemplifies this support. It also reflects how political relationships and networks in the home country can be exploited to mitigate risk in the process of internationalisation (Noorderhaven and Harzing, 2003; Bremmer, 2009; Okhmatovskiy, 2010; Brada et al., 2012). In the case of Frinam and its home government, this was however still new ground as part of adapting to a post-apartheid era and the new opportunities (and challenges) it presented (Daniel et al., 2004; Alden and Soko, 2005; Dippenaar, 2009).

In the host country's case, a lot was going on as it grappled with the enormous implications of the most profound reform of the utility sector on the African continent to date (Karekezi and Kimani, 2002; Engurait, 2005; Keating, 2009; Mawejje et al., 2012). There was hence a strong case for interference (at least for a while) to stabilise things (see table 5.11 in Chapter 5) and to minimise political turbulence and social and economic tensions in the transition period (Manzetti, 2003; Williams and Ghanadan, 2006; Jamasb, 2006). However, the interference would occasionally take unpredictable directions. The tensions with the parliament of Uganda as described above are probably the most compelling manifestation of this unpredictability (Tripp, 2004, 2010; Azevedo-Harman, 2011). It is however also an indication of the magnitude of political perceptiveness that is needed to mitigate such risk by a state-owned EMNE seeking to be a continental activist.

6.5.4.4 Reconfigurations of the balance of power between the arms of government

Frinam's tensions with Parliament as explained above were however a reflection of a much larger issue in Uganda's emerging political landscape. This was namely the intense power struggle between the executive and the legislative arms of government, with the latter institution trying to assert itself more strongly on key decisions affecting the country. MNEs would regularly get caught up in this on-going conflict, the end-result of which could decisively impact on the balance of power between policy-making institutions and the ensuing democratisation and market liberalisation trajectories in the country (Holburn and Vanden Bergh, 2002; Tripp, 2004). MNEs like Frinam that entered under government patronage were hence often faced with hard choices and conflicts of interest. What emerges is high confidence in the executive arm of the government (effectively the president) being on the side of Frinam against Parliament. This confidence is generally rooted in a belief in the sustenance of the government in power, given the improbability of change in the short- to mid-term, and hence the strategic value of investing in building a mutually beneficial political relationship (Adejumobi, 2000; Dieleman and Sachs, 2008; Azevedo-Harman, 2011; Le Van, 2011). It is also a reflection of the multiple roles of governments in these emerging markets and their say in almost everything, sometimes being on opposite sides at the same time (Doh and Ramamurti, 2003). Yet this can be a very risky assumption should the political calculus of the president somehow change, or should there ultimately be a democratic change of government.

At a more differentiated level however, Frinam's management became increasingly nervous about the situation and concluded they could no longer take presidential support for granted. There was hence a concerted effort to engage Parliament and the

public much more comprehensively, based particularly on correcting misperceptions, sharing positive information and using a multi-stakeholder strategic approach (Ghobadian and Viney, 2002; Ghobadian et al., 2009; Baines and Viney, 2010; Crilly, 2011). The forced resignation of Ponto (as head of the main power distributor in the market) at some point on the reform path further signalled the limitations of the previous person-focussed strategy (Blumentritt, 2003; Hillman et al., 2004; Kasita, 2009). The fact that he was put under preventive house arrest for several hours and had his files checked by the police, as he prepared to leave for South Africa, reveals the extent of the mistrust and the suspicion that had meantime developed between the government and the once most powerful manager in the sector. In short, the higher exposure of Frinam to the risks of government reconfiguration more than the other cases highlights one of the challenges confronting continental activists in fragile emerging markets.

6.5.4.5 Mitigating risk using adaptive strategies

In contrast, Prolux chose a highly re-active approach to politicians, certainly at a national level (see table 5.10 in Chapter 5). This considerably reduced the possibilities for interference in the project. Political interference may also have been made highly risky given the acute shortage of power that the country was starting to experience. Much hope was hence placed on small projects like Prolux being able to collectively ease the crisis, especially given that the Bujagali project was just resuming under a new set of developers (see Fig. 5.6 in Chapter 5).

Prolux was further well positioned to develop into a benchmark in the small- to medium-sized dam market segment. It would also reflect positively on Norwegian development policy in Uganda, particularly with regard to sustainable energy policy

(Randøy and Dibrell, 2002; Tjønneland et al., 2006). The acute demand for power implied that there would be minimal hurdles to jump institutionally, indicating how uncontrollable external factors can impact on institutional development. However, there were some other issues, for example the disagreement between Ugandan and Tanzanian officials about a project at the border in which Prolux was involved. This was a case where interference by politicians could not be completely prevented. Hence, while avoidance of political interference is possible, there are situations where it can be useful. An important political capability in such markets is to judge when it is useful and when it is a source of high risk. This is one of the situations where Prolux benefitted from high local embeddedness and an HR strategy predicated on substantive local content (see table 5.4 in Chapter 5). The local managers and the employees hence substantively contributed to the attainment of an optimum balance, based on their in-depth understanding of the local circumstances. On the whole, MNEs like Prolux that predominantly relied on adaptive strategies were the least negatively affected by changes in the reconfiguration of the government. The strategy hence enabled them to spread political risk and to be more balanced than MNEs that were politically discriminatory in approaching the different arms of government. This politically market-embedded capability constituted one of the important characteristics of a localised hybrid, as suggested in this study.

Later stages of institutionalisation also witnessed Frinam integrating a more adaptive element into its strategy to support the core proactive disposition. This further illustrates the usefulness of such an approach to mitigate risk. In fact, all cases ultimately exposed a modest to high level of adaption in the overall CPA strategies (see table 6.3 in this chapter). Some recent research has also demonstrated that such adaptive strategies are particularly applicable for authoritarian and weakly

institutionalised contexts (Lawton et al., 2013a; Lawton et al., 2014). Semi-authoritarian and weakly institutionalised contexts like Uganda are accordingly conducive for more heterogeneous variants of political strategy.

6.5.4.6 Historical political embeddedness and its limitations

Finally, given the size and the track record of Avin in the market at a diversified sector level, it was vulnerable to considerable political interference (see table 5.11 in Chapter 5). However, its management had developed the political resources and capabilities to accommodate this reality over the years, both at a local and a national political level. In spite of this experience however, there were times when it lost control of the dynamics of political interference. A highly publicised example was when the Minister of Energy clashed with the head of the regulatory body about a directive he had given to the latter to almost double the tariff Avin could demand for co-generated power (Obore, 2011). The objection by the regulatory head ultimately led to the minister asking the governing board of the regulatory body to suspend the head, citing insubordination. The case illustrates how a highly locally embedded EMNE like Avin can become a player in high-stakes political manoeuvring. It also indicates the extent to which political interference can contribute to shaping strategy in the firms that are classified as historical entrepreneurs in this study.

Further, the fact that the government initially resisted the development of cogeneration as an important element in the country's power mix illustrates that historical embeddedness and long-standing political connectedness alone are not always a source of competitive advantage. However, when circumstances change, this background can easily and advantageously be exploited. In later years therefore, Avin was able to tap into its historical political networks in order to be allowed to expand

its cogeneration potential. So while Sun et al (2010a) caution that such historical embeddedness can be a source of challenges, if the corresponding political actors become less powerful or even disinterested, this example suggests the reverse case where advantage is accrued later. The case consequently suggests the need to not only develop the political capabilities to manage at a modest level during periods of resistance, but also the flexibility and the agility to quickly switch to expanded exploitation when circumstances positively change. Avin was accordingly able to generate 6 MW of electricity for its own needs at the time of resistance, and to drastically raise this to 51 MW when the situation changed, which covered its full needs and left a considerable surplus to sell to the national grid. This emerges as a demonstration of proactive anticipation as discussed earlier, eventually placing Avin in a position to become the market leader and benchmark for the subsector.

From the above discussions on political environmental perspectives, the research proceeds to make the following two propositions:

Proposition 7) *If the balance of power between the legislative and the executive arms of government in emerging markets undergoing regulatory institutionalisation is adjusted, then foreign market entrants deploying a proactive CPA strategy based on connectivity with either arm of government will experience a period of uncertainty while they adapt.*

Proposition 8) *If the balance of power between the legislative and the executive arms of government in emerging markets undergoing regulatory institutionalisation is adjusted, then foreign market entrants deploying a heterogeneous CPA strategy based on reactivity to both arms of government will adapt most easily.*

6.5.5 The political salience of issues

The discussion proceeds to examine perspectives related to the political salience of issues surrounding a project, drawing on insight from the research agenda by Hillman et al. (2004) as summarised in Chapter 3. Based on this work and that of Vogel (1996), salience here is seen as the political importance of an issue to a company, and something which motivates it to become politically active in the first place. The issues of salience that emerge in this study cover environmental and social perspectives, HQ-Subsidiary relationships, China in Africa and the benefits and pitfalls of localness.

6.5.5.1 Environmental and social issues

Pisu/Energy Global was evidently exposed to the most intense salience at multiple levels given its size, complexity and its difficult history as reflected in the former project (see table 5.13 in Chapter 5). Strategically, the project partners needed to exercise extensive foresight and good judgment long before the project was implemented. The most prominent consideration was the high profile and well-organised activism of environmentalists who argued that the potential negative impact of the dam on the environment far outweighed the envisaged benefit (Linaweaver, 1999). The agitation by these activists had brought the project into the global limelight in the first place, and had played a critical role in fuelling the troubles that the first project under AES and Avin had faced. The environmental (and the related social) issues surrounding the project assumed a political salience that extensively tested the political capabilities of the MNEs involved.

One of the critical features of big dam projects like Bujagali is that the political issues affecting them take on not only local and national, but also international dimensions. At one point, the project had to contend with some of the most high profile organisations that agitate for environmental protection internationally. These included Greenpeace and The International Rivers Network, both of which were opposed to the construction of the dam and committed substantial resources to resist the project. Non-engagement is therefore no option at all for managers in such a project. Pisu/Energy Global was much more proactive and comprehensive in addressing the grievances of the environmental and social lobby and in recognising it as a critical stakeholder than the predecessor project. It was hence able to bring down the resistance to much lower levels than the previous developers had achieved.

The most important tool that Pisu/Energy Global deployed to this end was a detailed social and environmental impact assessment model of the project, extensively addressing the opponents' grievances¹¹⁸ (R.J.Burnside International, 2006). As noted earlier, the political approach here constituted a substantial elevation of the social and environmental issues to the highest level of stakeholder engagement, hence attaining a stronger satisfaction for the stakeholders in question (Ghobadian and Viney, 2002; Ghobadian et al., 2009). While the previous developer had also tried this, there was a level of meticulousness and outright qualitative engagement here that the former had lacked.

Frinam's challenges with environmental and social issues were considerably lower than those faced by Pisu/Energy Global, not least because it took over an already existing installation with no history of major environmentally- and socially-related

¹¹⁸ D005

conflict. The entry mode, which was predicated on a close relationship with the government, also had the effect of hedging the project from some of the worst pressures of activists. However, while closeness to the government brought undeniable advantages, not least a privileged access to key strategic information on policy, it eventually evolved into Frinam's most important source of uncertainty and risk (see tables 5.11 and 5.13 in Chapter 5). This is reflected particularly in the confrontation that developed between the company and the host country's parliament, with the latter institution questioning the legality of the agreements that had been entered into with the (executive arm of the) government.

6.5.5.2 HQ-Subsidiary relationships

The discussion now turns to aspects of the HQ-Subsidiary relationships that showed salience in the projects. By virtue of its political sensitivity and the complexity and size of the project, these issues are understandably most evident in the Bujagali project. AES's problems in its home market, particularly as a fall-out from the Enron scandal, contributed substantively to its exit as the lead developer in the former project. This particular event suggests that a full comprehension of the CPA of MNE subsidiaries in emerging markets must take events and developments affecting HQ into account (Wan and Hoskisson, 2003; Daphne et al., 2007; Brada et al., 2012). Some of the issues involved have been discussed in the previous sections. In this particular case, the mother company was consumed by a major issue at home, leading to a reassessment of all its engagements in international markets.

The four projects went to different extents in conferring autonomy on the subsidiaries to deal with issues of salience. Frinam showed the least readiness to award far-reaching autonomy to the subsidiary. This might be related to the strategic ambitions

of HQ to evolve into the leading utility company on the African continent. It was hence politically important to closely co-ordinate the interaction with governments in the various markets. But this also meant that the company was the most vulnerable to an accusation of a new politicisation of the electricity industry in Uganda (and other African markets) in partnership with governments, some of which had questionable governance records (Gore, 2009; McDonald, 2009). Potentially, the company was hence in danger of a backlash to its proactive political embeddedness should political circumstances change, as observed by Sun et al. (2010a). Serious performance and governance challenges to the mother MNE in its home market in recent years, however,¹¹⁹ created a need for a stronger autonomy in the subsidiaries in order to hedge them from risk contagion.

Prolux conversely appears to have gone farthest in granting autonomy to the subsidiary, including the recruitment of a fully local staff. It could however only do this by opting for an adaptive CPA (Weidenbaum, 1980; Doh and Pearce, 2004; Lawton et al., 2014) approach that avoided proactive political engagement, as discussed earlier. This therefore facilitated a contingent approach to issues of salience and certainly a minimisation of potential for becoming consumed by issues of high political potency. The MNE's approach to environmental and social issues, as discussed above, was further largely influenced by expectations in the home country for all its internationalising companies to comply with the highest standards of environmental and social impact assessment. This kind of home country effect could potentially play a crucial role in nurturing and demonstrating institutionally acceptable standards of organisational behaviour, particularly at this early stage of institutionalisation (Wan and Hoskisson, 2003; Noorderhaven and Harzing, 2003;

¹¹⁹ D058, D059, D060

Brouthers, 2013). Whilst it is an indirect targeting of institutional practice in the host country, it makes itself conducive to developing good practice and learning.

6.5.5.3 China in Africa

It is worth noting that Uganda was not isolated from the ever-growing presence of Chinese EMNEs in Africa, facilitated by a conducive political climate (Rotberg, 2008; Chuan and Orr, 2009; Kaplinsky and Morris, 2009; Mohan and Power, 2009; Peng, 2012). As an example, the prospects by Pisu/Energy Global to start a new project farther along The Nile (at a place called Isimba) were shattered when that project was awarded to a Chinese EMNE following a political decision that by-passed normal bidding processes. This further suggests that in spite of evidence of public-private partnerships like Pisu/Energy Global working well, there are substantial advantages that governments in Africa are finding in having Chinese EMNEs as alternative strategic partners for infrastructure projects. The major cost advantages and China's well-publicised policy of non-interference in the internal political affairs of host emerging markets, among other considerations, are increasingly putting AMNEs like Energy Global at a disadvantage in these new frontiers of FDI activity. With global economic growth increasingly dependent on growth in these markets (Raman, 2009; UNCTAD, 2011, 2014), it remains to be seen whether advanced countries will be able to afford to continue interfering in these countries' affairs, thus condemning their MNEs to extinction, or at least to existential disadvantage in these markets.

A major development in Uganda is the ongoing construction of the largest dam to date at Karuma (expected to generate 600 MW), along the River Nile, by another Chinese developer. Predictably, this will have implications for the dynamics of

business-government relationships and institutionalisation in the sector. MNEs like Frinam that have been very influential so far are hence under pressure to reposition themselves. The firm's bid for a new partnership with the government to drive rural electrification, as part of a proactive anticipatory political strategy, can be interpreted as a first step in this strategic repositioning. It is also interesting to note that the World Bank and other international lenders are increasingly being sidelined in the financing of these China-oriented projects (with the Chinese government offering extremely low interest credit through its state banks). Given the key role that these lenders have played in Uganda's electricity reform project up till now, it will be instructive to see how they reposition themselves in the future in light of this emerging paradigmatic shift.

6.5.5.4 The benefits and the pitfalls of localness

Avin, in contrast, was following a model of community and corporate social responsibility engagement that was rather outdated. As an example, sugar cane growing by local farmers in the region had substantially increased and other processing plants had been started. This meant that the local economy was changing, necessitating a greater understanding of the socio-economic and political implications of the change. By implication, Avin had an opportunity to be at the helm of driving the changes and shaping the future, given its historical understanding of the host market. Because of the extremely low level of electrification, especially in rural areas,¹²⁰ there was also an opportunity to deploy co-generation as one of the game changers in this regard (Mbugua, 2005; Haanyika, 2006; Kassaija, 2015). There was hence substantive potential for future progress in this direction as such projects were

¹²⁰ In the 2015/16 budget speech, Uganda's finance minister, Kassaija, stated that the rate had risen from 4% to 7%.

attracting large amounts of development finance. Yet Avin needed to have a strategic interest in doing this, something that could not be assumed given the frustrations it had faced in the past.

The firm's potential to evolve into an even stronger agent of change was not least reflected by the fact that it considered acquiring one of the new plants that had fallen into difficulties. In effect, there was a market consolidation taking place and Avin was poised to emerge even stronger in the sector. The steps to internationalise into neighbouring markets constituted an important development that would strengthen the company's credentials as an EMNE, in line with recent extant research (Ramamurti, 2004; Cuervo-Cazurra and Genc, 2008; Ramamurti and Singh, 2009; Stal and Cuervo-Cazurra, 2011). There were however also some potential challenges, as exemplified by the resistance that the firm had experienced in the early years of cogeneration. In some cases, political actors perceived the firm as proud and assuming, tempting them to try to frustrate its projects. In a way, this could be interpreted as a manifestation of a liability of localness which the firm needed to overcome (Perez-Batres and Eden, 2008; Jiang and Stening, 2013). One way it could do this would be to more conscientiously engage with its historical embeddedness, with the aim of strategically repositioning itself in light of the changes.

This section has in conclusion examined the issues of political salience in Uganda's electricity industry and how the different projects have responded and are poised to respond. Some issues that could become important with time have also been highlighted, particularly those emanating from the growing importance of Chinese EMNEs in Africa.

6.5.6 Miscellaneous issues

This subsection addresses various issues that also emanate from the political environment but have not been explicitly addressed elsewhere.

Probably the most important issue here was the uncertainty surrounding the payment of royalties by the project developers to local governments. Whereas the royalties to central government for most of the cases had been contractually clarified, there was disagreement about the fraction for the local governments. The most prominent case was the disagreement between the two districts at whose border the Bujagali project was located. As they could not agree on a formula for sharing the royalty, Jinja district rejected the payment from the projects (Monitor, 2013). This illustrates the challenges of agreeing on the details surrounding such royalties and the potential for friction with key stakeholders. In a sense, it might also point to a need for greater attention to detail by all parties in negotiating agreements. The situation effectively increased the risk of making key local stakeholders hostile to the project, even if Pisu/Energy Global was not directly responsible for the suspension of payment.

Secondly, there were some uncertainties related to the eventuality of having to renegotiate the agreements. Frinam was particularly vulnerable here, due to the growing leverage of Parliament vis-à-vis the executive arm of the government. Parliament with time questioned the circumstances under which Frinam had entered the market. All this was part of a shift in the institutional context, as more balancing took place in light of the growing institutionalisation and a level of maturing democratisation (Holburn and Vanden Bergh, 2002; Tripp, 2004; Azevedo-Harman, 2011). Pisu/Energy Global, on the other hand, faced criticism that its cost was exorbitantly high. This emerged after a court in Uganda had ordered that the

previously ‘confidential’ agreement between the government and the project developers be made public. A review by local and international consultants thereafter established that the cost of the project was significantly higher than the internationally recognised average cost for similar projects (Atuhaire, 2012). While many reasons were advanced to explain the cost, a perception emerged that the country had been manoeuvred into paying for a very expensive dam. The most recent government statement of wanting to ‘buy back’ the Bujagali project, given the perceived high cost, underlined the gravity of the situation (Mwenda, 2015). The implications for prematurely terminating the project were however not yet apparent, although things pointed to an eventual renegotiation here, too.

These miscellaneous issues hence have potential to increase salience, depending on how they are handled in the future by the various projects.

6.6 Conclusions

The chapter has thus far examined the strategic issues surrounding market embeddedness into Uganda’s reformed electricity industry, focussing on the political perspectives that emerge as an important but till now hardly understood ingredient of emerging markets. Of particular importance are the political capabilities that the different entrants identify and develop to support embeddedness. Perhaps the most important of these capabilities is the development and sustenance of a strategic relationship with the home and host governments. While there are advantages in having a close relationship, especially in the early years of reform, there is also potential for risk related to changes in the configuration of the government, and the

eventuality of a hostile arm of government. Firms hence need to proactively anticipate political change and strategise for the future.

The discussion of CPA has been carried out with a view of contributing to literatures on antecedents of CPA, particularly political capabilities in an emerging market context and their institutional implications. In consequence, the study identifies and differentiates diverse levels of political proactiveness and reactiveness, and explores how and why divergent constellations are chosen by MNEs. It becomes apparent that the reality in fast-growing but in many respects still volatile contexts like that of Uganda cannot be reduced to a one-dimensional selection between two choices. Rather, there are rich combinations and multiple choices, not least as a function of the idiosyncrasy of emerging institutionalisation. Ultimately, this in turn has implications for theory on political strategies for new emerging markets that are becoming ever more important for the global economy. Accordingly, propositions have been made at various points, with a differentiation into the early and the intermediate stages of reform.

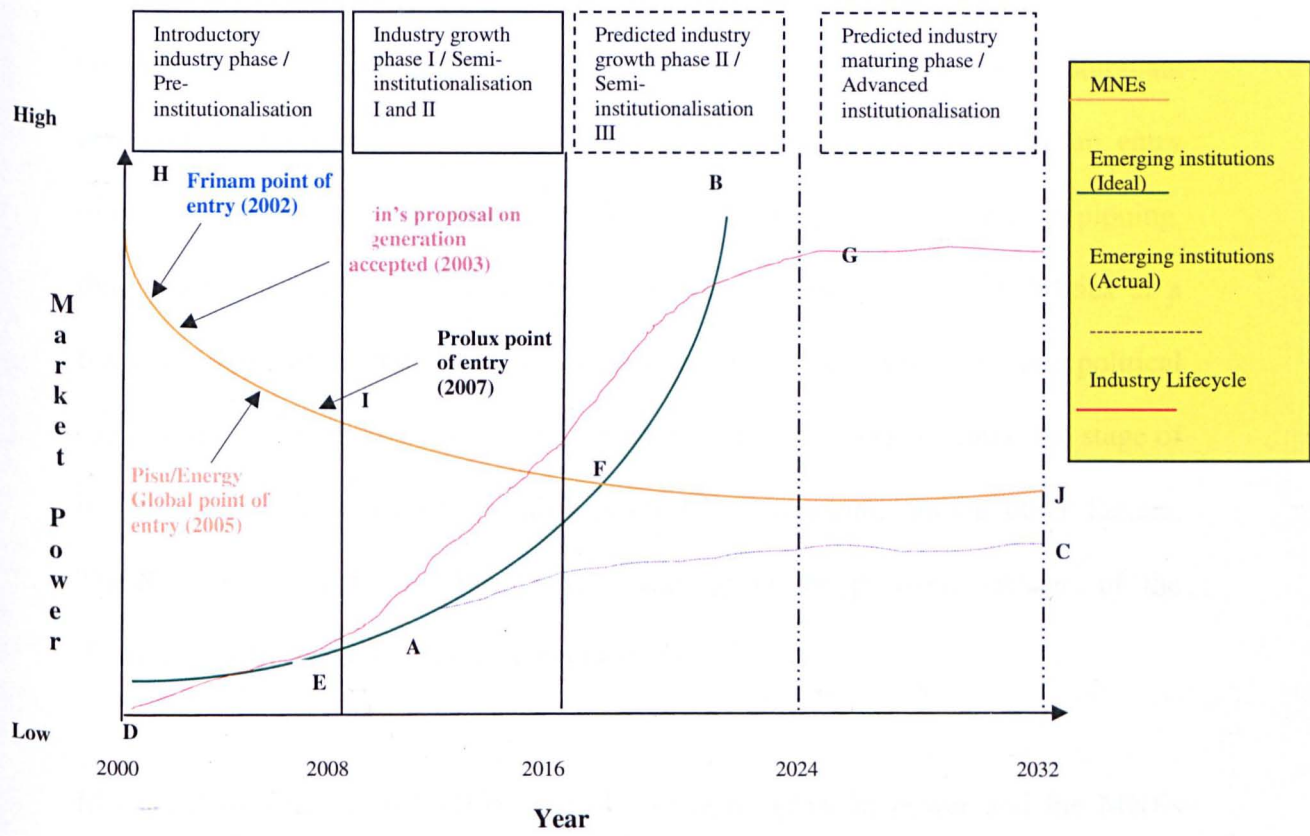
This discussion now moves into the next section, which draws on the institutional perspectives established in the previous section and the political environmental issues raised in this section, to produce an integrated understanding of CPA in Uganda.

6.7 Market embeddedness - The integrated institutional and political perspective

6.7.1 Introduction

This final discussion section now proceeds to integrate the institutional and the political environmental perspectives that were examined separately in the preceding sections. As a result, a foundation is created for strengthening the level of conceptualisation and arriving at more solid conclusions about Uganda’s electricity industry from a CPA perspective.

Fig. 6.5: The relative political market power of firms versus emerging institutions during institutionalisation



6.7.2 Political market power configurations between MNEs and emerging institutions

The figure above is an integrated representation of changes in the electricity sector in terms of the political market power (Bonardi et al., 2005; Kingsley et al., 2012) of the MNEs and the emerging institutions as the industry grew. Effectively, the interplay of actors on the demand and supply sides of the market produced a dynamic that generally saw the power of institutions steadily growing, while that of MNEs gradually falling. This also meant that each MNE entered the market at a different point on the generic MNE political power curve and therefore met changed power dynamics. Frinam, as a first mover, hence entered the market when an MNE could possess the highest political market power and could afford to extensively contest the decisions of the regulatory institutions. Under such circumstances, an entrant has the strongest potential to influence, eventually control and, in the extreme, dominate emerging institutions (Oliver, 1991). This becomes further enhanced by an entry mode like the one used by Frinam, which entered through government championing, thus gaining privileged access to diverse political resources and capabilities at a formative stage of the industry. At each point of entry, there were particular political capabilities that were the most suitable, conditioned by the mode of entry, the stage of institutionalisation and the prevailing political environment, among other factors. These political capabilities have been identified in the previous sections of the discussion with regard to each case under study.

Ideally, the emerging institutions would constantly grow in power and the MNEs would gradually lose it in a form of inverse relationship. However, there are other factors that come into play and affect the real outcome. One of the most important factors is that the political reality in semi-authoritarian and weakly institutionalised

emerging markets substantially undermines the capability of emerging institutions to secure real power and exercise autonomy. So while a modest level of the institutional variant of political market power is allowed to manifest itself, it is not allowed to develop indefinitely along the curve A-B in Fig. 6.5 above. Instead, this power is held in check along the curve A-C while the politically best-positioned MNEs maintain a relative power advantage in the political market along the curve F-J. This is accordingly reflected in the type of political capabilities that are developed and deployed at this stage of institutionalisation.

The research here suggests that this institutional and political outcome is particularly traceable to a symbiotic relationship that develops between leading MNEs and key political actors in the early phases of industry reform (along D-E), and which tends to be threatened if the emerging institutions are allowed to continue amassing power. The symbiotic relationship is based on perceptions of the value that each party gains by maintaining a strong relationship with the other, leading to a mutual understanding that strong institutions are a threat to mutual benefit. This outcome is also reinforced by an African cultural reality where personal relational interactions are generally valued and encouraged more than formal transactional interactions (Louw, 1998; Jessie Qi and Peng, 2010). As long as an institution threatens to substantially depart from this reality, it experiences a level of resistance.

6.7.3 Reconfigurations between the different arms of government

The most important threat to the symbiosis mentioned above is a strong parliament. In most African countries, including Uganda, parliaments have traditionally been overshadowed and limited by the powers of the executive arm of the government,

which is usually effectively the presidency (Manzetti, 2003; Jamasb, 2006; Azevedo-Harman, 2011). In recent years, Uganda's parliament has to some reasonable extent asserted itself against the presidency and been able to question decisions that were previously sanctioned by the latter institution. The strongest evidence of this emerging assertiveness was reflected in two parliamentary reports that questioned how Frinam had entered the market, and the nature of its relationship with the executive arm of the government. While it became evident that Parliament was practically limited in its ability to enforce the recommendations of the reports, it sent a strong signal that things could not remain the same. It is however noteworthy that the parliamentarians' need for resources, particularly financial ones, in order to hold onto their political mandates, makes them vulnerable to some form of manipulation by highly resourceful MNEs, and in fact by the executive arm of the government itself. This vulnerability may be expected to peak in the run up to and during political elections. The trend towards a strong parliament that can challenge other centres of institutional power therefore faces major challenges here.

Further, the courts have become more independent and assertive. One of the strongest manifestations of this was the court ruling that forced the government to make public its agreements with Pisu/Energy Global. This exposed a cost and risk allocation structure that was substantially skewed in favour of the developers and against the host country. All this points to an ongoing reconfiguration of the power balance between statutory, legislative and adjudicating institutions, typical of reforming emerging markets (Holburn and Vanden Bergh, 2002; Blumentritt, 2003; Tripp, 2004). The implications for CPA strategies cannot be fully fathomed yet, but tentative observations suggest a need for a stronger multi-stakeholder approach to political strategy (Ghobadian and Viney, 2002; Ghobadian et al., 2009), and for an even

deeper understanding of the dynamics of new emerging markets along the path of regulatory institutionalisation. It is further noteworthy that this broader institutional reconfiguration coincided with growth phase I (getting more accentuated in growth phase II) of the reformed industry, which corresponded to semi-institutionalisation phases I and II (see Fig. 6.5 above). The change in the intra-governmental power balance is however still very modest, and the presidency continues to wield extensive powers to influence developments in all sectors of the economy, not least the reformed electricity industry. How the rate of reconfiguration will be affected by more advanced stages of institutionalisation cannot yet be ascertained. But any impact would be expected to have major implications for the requisite political capabilities of the MNEs in the sector.

6.7.4 China in Africa

The wider situation is characterised by influences from the growing presence of EMNEs from China (and other mature emerging economies), and the ease with which they can secure lucrative contracts, particularly for infrastructure projects. Major enablers here have been the proactive political support from the home country government, far less stringent conditionality for the projects than for traditional western FDI and the accompanying provision of funding at extraordinarily attractive terms (Rotberg, 2008; Chuan and Orr, 2009; Kaplinsky and Morris, 2009; Sanfilippo, 2010). In many cases, Uganda has opted to forego normal bidding and tendering processes in order to facilitate this cheap investment from the Far East. As an example, Pisu/Energy Global was expecting to bid for a new project along the Nile (the Isimba dam site), but suffered a setback when the project was awarded to a Chinese developer outside of normal bidding procedure (Biryabarema, 2013). This is already a case of by-passing the institutions that should handle such processes as a

result of political calculus. There are signals from this thesis that classical investors are already feeling the pressure of this new form of FDI. It is however not yet clear how they will respond long term, let alone how their mother countries will.

This study did not include a Chinese MNE in its sample, as there were none of significant corporate political importance in the time period under investigation. However, developments at later stages that saw important contracts being given to Chinese MNEs¹²¹ enabled some useful observations during fieldwork. It became tentatively evident that the entry of these firms triggered a need for a different set of political capabilities by the incumbents if they were to secure their position in a more diverse and complex political market. In effect, more profound political anticipatory capabilities were needed in order to adapt to the new situation. But such anticipation would have needed to be grounded in the early stages of the industry, and developed through an integrated approach to the political capabilities that were requisite at different stages of institutionalisation. The tendency for Chinese entrants to go for large infrastructure projects meant that entrants in the large dam subsector were particularly affected by the development. Consequently, Pisu/Energy Global demonstrated some progress at developing more anticipatory political capabilities when it won the bid for a new project on the River Ruzizi at the Burundi/DRC/Rwanda border using its project in Uganda as a reference. Its growing prominence as a global realist became clearer still in this move.

6.7.5 MNEs and dynamics at the base of the pyramid

Uganda is an example of the trend to make infrastructure projects like dams more environmentally and socially responsive in institutionally fragile emerging markets.

¹²¹ Karuma, the biggest project in Uganda to date (c. 600 MW) and at a smaller level Isimba (c. 190 MW), have all been awarded to Chinese developers and will provide an opportunity to study how the political market in Uganda's electricity industry is evolving.

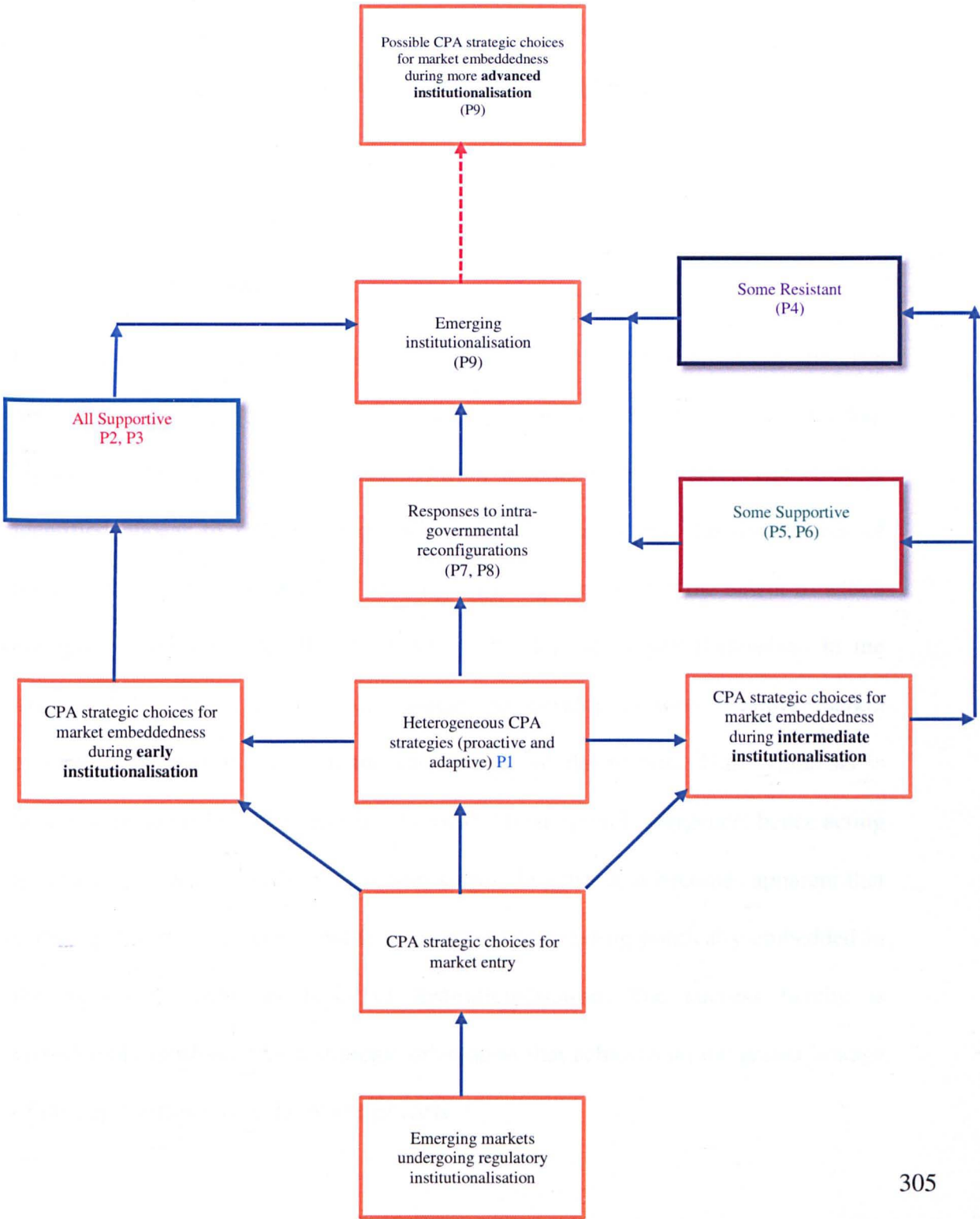
Pisu/Energy Global's work in the hosting community hence emerges as one of the most comprehensive efforts by MNEs anywhere to engage with environmental questions, socio-economic development and institutional strengthening at a local community level. It is an illustration of the potential that MNEs have to impact development dynamics at the Bottom of the Pyramid (Prahalad, 2006), while at the same time focussing on the core objective of doing business. But given that this is a case of response to international institutional and stakeholder pressures rather than to the imperatives within the host country, it is not clear to what extent it contributes to development at a wider level, rather than to the specific community in question or beyond the expiry of the concession agreement. And yet it is far better than the status quo of a government not capable of meeting the most basic services for the population at grassroots level. The uncertainty about how things will develop in the future is compounded by the entry of ever more Chinese MNEs under special government-to-government arrangements, as highlighted above. These entries however offer Uganda (and other African countries) an opportunity to study and identify the FDI models that are most useful to them, not least to the impoverished communities at the base of the pyramid.

6.7.6 A framework for heterogeneous CPA strategies in new emerging markets undergoing regulatory institutionalisation

Finally, Fig. 6.6 below provides a framework that synthesises the findings of this research and the logical flow through which the propositions have been made. It is effectively the output of an integrated political and institutional consideration of events in Uganda's electricity industry since the Electricity Act was passed in 1999, as reflected in the earlier discussions. It also illustrates where the different

propositions were made and puts the matrix of heterogeneous strategies (see table 6.3 in this chapter) presented earlier in a stronger context.

Fig. 6.6: Framework for the evolution of heterogeneous CPA strategies in emerging markets undergoing regulatory institutionalisation



From the preceding discussion, the following final proposition emerges, reflecting a strategic perspective across the length and the breadth of emerging institutionalisation and recognising the co-evolutionary angle that was suggested in the theoretical framework of the study:

Proposition 9: *In emerging markets undergoing regulatory institutionalisation, the long-term success of CPA depends on the degree of complementarity of heterogeneous political capabilities deployed at different stages of regulatory institutionalisation.*

6.8 Conclusion

In conclusion, the integrated institutional and political environmental perspective has offered an opportunity to examine the political market situation surrounding Uganda's reformed electricity industry from a holistic perspective. The changes identified appear to reflect the evolution of the industry and the imperatives of political reality. This latter aspect has important implications for the extent to which emerging institutions are allowed to freely develop and assert themselves in the market. Additionally, a symbiosis appears to develop between leading market entrants and political actors in the early stages of the reform. This symbiosis is however threatened by more advanced forms of institutional emergence, hence acting as a barrier to institutionalisation at later stages. In general, it becomes apparent that certain political capabilities contribute to success at getting politically embedded in the market at different stages of institutionalisation. The success hereby is considerably reinforced by a strategic orientation that achieves an integrated linkage of the capabilities across the whole process.

Further, there is an adjustment on the institutionalisation path that sees MNEs losing political market power and emerging institutions gaining it. There is, however, a critical point beyond which further progression of this recalibration is resisted out of political expediency. Importantly, there is also a rebalancing of institutional power between the different arms of government, leading to some gains for Parliament and the courts against the executive, however modest. This power shift has implications particularly for market entrants that previously have strongly prioritised the executive arm of the government, rather than the other arms. There are also important observations concerning phenomena at the bottom of the pyramid, as reflected especially in the Bujagali case. Consequently, new insights emerge concerning grassroots-based multi-stakeholder engagements and sustainable development.

More broadly, the study identifies a set of strategic archetypes that embody the CPA strategies and the political capabilities associated with the progression of pro-market reform in fragile but fast-growing emerging markets. These emerge as the continental activist, the historical entrepreneur, the localised hybrid and the global realist, representing a rich mix of MNE types and their strategic choices for political market embeddedness.

7 Conclusions, contribution to knowledge, limitations of the research, future research, recommendations and reflections

7.1 Introduction

This final chapter proceeds to review the research and to check whether the aims and objectives that were set out in Chapter One have been achieved. The role of the chapter is hence to bring everything together, underline the key outcomes and map out a way forward.

After this introduction, there is a presentation of the main conclusions in section 7.2. This is followed by a revisit of the research objectives in section 7.3 and a synthesis of the contributions to knowledge in section 7.4. Further, the chapter summarises the limitations of the research in section 7.5 and makes suggestions for future research in section 7.6. Finally, some recommendations are advanced in section 7.7 prior to concluding reflections on the research journey in section 7.8.

7.2 Main conclusions

In conclusion, the study has explored the extent to which MNEs operating in Uganda's electricity industry engage in CPA, and identified the political capabilities that become thereby evident. In addition, the implications of this engagement for emerging institutionalisation have been investigated. The objectives that were formulated at the start as an interpretation of the research question have been systematically addressed. This conclusion hence synthesises the research, with the aim of highlighting its key findings.

Firstly, CPA has been identified as a much more nuanced reality than extant literatures seem to suggest. One of the main reasons for this discrepancy is that these literatures are predominantly based on experiences in stable and generally predictable institutional and political contexts, in advanced markets. This therefore limits their usability for understanding and interpreting behaviour in less stable and predictable contexts. What emerges from this study is a picture of MNEs that deploy a heterogeneous mix of CPA strategies and their associated political capabilities, conditioned by their differing interpretations of the institutional and political realities they face. Further, the corresponding behaviour appears to reflect emerging archetypes of CPA in these weak institutional contexts.

Consequently, **Frinam** was the most politically proactive case in the research sample, benefitting from a close relationship with its home government and various African governments. It consequently developed continentally-oriented political capabilities rooted in a linkage of its 'Africa Strategy' to the political and economic changes engulfing the continent, and to a new foreign policy adopted at home that prioritised the African continent. At the intermediate stage of the electricity industry reform in Uganda, however, it was obliged to deploy a more adaptive approach, in response to political environmental pressures, whilst remaining predominantly proactive. Frinam ultimately encapsulates the **Continental Activist** archetype in the CPA typology proposed in this study. MNEs like this are playing a central role in substantially reshaping business-government relationships and in turn contributing to an ongoing clarification of an emerging African version of capitalism (see Chapter 2, section 2.6 for insights on Ugandan capitalism). This version of capitalism is prone to accommodate and to encourage a distinctly close relationship between the state and

the MNEs that are involved in strategic sectors of the economy, in order to compensate for the institutional fragility that is widespread. But in order to try to minimise the potential for abuse of such relationships, the parliaments in these markets are correspondingly becoming more assertive at monitoring the behaviour, albeit still being limited by the power of the presidency (Azevedo-Harman, 2011).

Pisu/Energy Global, conversely, was generally balanced in its CPA choices. So while it was proactive in the hosting community and with regard to key international stakeholders, it generally behaved adaptively concerning the national institutions. This strategic mix was sustained throughout the project. Underneath the strategy was the capability to integrate the local political capabilities that Pisu brought to the project, and the globally-oriented strengths represented by Energy Global. Of particular importance was an explicit accommodation of multi-stakeholdership, as reflected in a comprehensive stakeholder remapping exercise to rebuild stakeholder relationships (Ghobadian and Viney, 2002; Ghobadian et al., 2009; Baines and Viney, 2010) that had been extensively damaged by the former project. Further, the project developed internationally acknowledged capabilities at dealing with the political salience (see section 6.5.5 in Chapter 6) surrounding the social and environmental impact potential of the project. In the typology proposed in this study, the Pisu/Energy Global case consequently embodies that of a **Global Realist**.

Prolux, on the other hand, was consistently highly adaptive. It built this reactivity around a meticulous compliance to emerging regulatory rules that eventually became the benchmark in the small- to-medium sized dam sector in the host market. It however buttressed this high adaption with a proactive approach towards the home government's development aid policy in Uganda. Since the policy prioritised

institutional development and investment promotion in the energy sector, it provided favourable ground for Prolux's engagement. In a sense, this linkage of political strategy to the policies of the home government mirrored Frinam's engagement with its home government, albeit at a less visible level and in a lower profile segment within the broader sector. Prolux's strategy was further characterised by a strong local orientation that ensured a deep understanding of local issues. MNEs that become highly localised through their HR strategies, while retaining an international perspective by following HQ standards, are considered to be **Localised Hybrids** in the typology advanced in this study.

Avin showed the strongest transformation from an adaptive anticipation in the early years to a proactive engagement later on. This followed the upgrading of the importance of electricity cogeneration in the country's energy mix by the government. It had also previously shown strategic foresight by making precursor propositions to the Ugandan government concerning reforming the sector. The early engagement had ultimately culminated in the first major project at Bujagali, in strategic partnership with AES of the USA. Though eventually this initial project was prematurely terminated, its experience provided rich lessons for both the Ugandan government and the subsequent developers, Pisu and Energy Global. The strategic refocussing thereafter, that saw Avin emerging as the market leader and the benchmark for biomass-based electricity cogeneration, underlined the firm's strategic adaptability. The refocussing further translated into a stronger internationalisation of strategy, as reflected by the market entries into the regional markets in the Great Lakes Region. Consequently, the strategy contributed to stabilising some otherwise unstable emerging states like Southern Sudan at Uganda's northern border. By politically tapping into its long-standing embeddedness (Sun et al., 2010a; Okhmatovskiy, 2010; Liu and Halliday, 2011) in the host market, contingently

combining institutional and business entrepreneurship (Greenwood et al., 2008), and illustrating the potency of the forerunners to anticipatory political capabilities, the EMNE constitutes the final typological formation of the study: a **Historical Entrepreneur**.

Secondly, institutional emergence is revealed to be a substantially more politicised process than extant literatures have so far documented (e.g. Oliver, 1991). A regulatory authority that is supposed to be autonomous and the ultimate symbol of pro-market reform emerges here as highly vulnerable to powerful political manipulation, for example. The authority and the associated institutions are hence continually fighting to exert their authority and win legitimacy (Deephouse and Suchman, 2008; Greenwood et al., 2008). While CPA can be supportive, it can hence also be counterproductive to the development of emerging institutions. The study illuminates how this politicisation of institutional emergence specifically unfolds, and its implications for MNE managers. Hence, while countries like Uganda have made a substantial effort to liberalise and privatise their utility sectors, political interference in the sector has not necessarily decreased. In light of a very low rate of rural electrification in Uganda and Africa in general (Mbugua, 2005; Haanyika, 2006; REA, 2014), it is likely that this will remain a highly politicised sector in the foreseeable future, as governments search for politically acceptable solutions to the problem.

Thirdly and perhaps more fundamentally, the study has illustrated that the understanding and the practice of CPA has implications for the emergence of democratic institutions in semi-authoritarian and weakly institutionalised emerging markets. Frinam, for example, initially focussed its political strategy on the

executive arm of the government, substantially neglecting the legislative arm. Such choices, whilst being strategically rational for the MNEs in temporarily mitigating against political risk (Vaaler, 2008), could in the long-term weaken the democratisation process in these countries and undermine the checks and balances to which emerging government institutions are otherwise supposed to conform (Henisz, 2002; Henisz and Zelner, 2005). In this case, the parliament of Uganda was able to make some modest gains by asserting itself against a powerful executive, and henceforth questioning Frinam's CPA strategy.

The study hence demonstrates what this important political and environmental change entails for politically highly visible MNEs like Frinam, and how they can strategically respond as part of revising their CPA strategies. How things will evolve with time, and whether Parliament (and the courts) will gain some more ground in guiding the market entry and embeddedness of MNEs in strategic sectors of the economy against a powerful executive, is not foreseeable. But there is a deeper implication that these MNEs might need to do more strategic thinking about the wider appropriateness of their nonmarket, strategic approaches.

7.3 Revisiting the research objectives

This subsection revisits the key research objectives that were introduced and presented in Chapter One, section 1.3. It thereby assesses how the objectives have been met, hence providing the broader context for examining the contribution to knowledge in section 7.4 below.

Revisiting research objective 1

This research objective set out to investigate the extent to which the CPA of MNEs in Uganda's liberalised electricity industry reflects levels of institutionalisation in the industry.

The structuring of part of the discussion chapter into two main phases, early and intermediate institutionalisation (sections 6.4.4 and 6.4.5 in Chapter 6), offered an opportunity to investigate CPA along the path of institutionalisation in the sector. This culminates in the typological configurations that inform a 3*3 matrix (table 6.3 in Chapter 6), which in turn supports the contribution to literatures on CPA typologies (Hillman and Hitt, 1999; Hillman et al., 2004; Lawton et al., 2013a), as explained later. The matrix summarises the political dispositional shifts that the MNEs experience along the path of reform. So while Pisu/Energy Global generally maintained a balanced mix between political proactiveness and reactivity, the other three cases experienced a reconfiguration to either become more proactive or more adaptive, depending on their interpretation of the imperatives of the evolving situation. Ultimately, the shifts reflect how MNEs with diverse political capabilities for weak and strong institutional contexts respond to the emerging changes.

Revisiting research objective 2

This objective set out to study the extent to which the political embeddedness in the institutional context of Uganda by MNEs operating in the electricity industry affects their CPA.

The study demonstrates how the different MNEs embedded themselves in the host market, and the political capabilities they developed and deployed to this effect.

Consequently, Pisu/Energy Global's prioritisation of the local community context, as demanded by the international regulatory and funding agencies, saw it investing in the acquisition of political capabilities with a strong local dimension. As an example, it extensively remapped the stakeholders in the local community (see Fig. 5.4 Chapter 5), resulting in the elevation of previously neglected stakeholders to higher levels of stakeholder engagement (Ghobadian et al., 2009; Baines and Viney, 2010). It further reinforced this strategic remapping by proactively embedding carefully selected senior managers in the hosting communities. Consequently, it was able to accommodate the local cultural affinity for informal relationships more strongly (see section 6.4.4.3 in Chapter 6).

Prolux, on the other hand, embedded itself strongly in its home government's development aid program in Uganda, a program which prioritised institutional development in the energy sector. It hence sought to emerge as the benchmark for compliance to a regulatory framework financed by its home government. Consequently, it made itself attractive as a showcase of successful Norwegian development aid policy. Frinam, conversely, prioritised national and continental political actors and institutions. It was hence prone to segregating between the executive and the legislative arms of the government in developing stakeholder relationships. While this choice was highly rewarding at the early stages of reform (see section 6.4.4 in Chapter 6), it translated into a strategic rigidity at later stages (see section 6.4.5 in Chapter 6) when more balance in political stakeholder relationships was demanded. Avin finally illustrated the strategic options of a historically deeply embedded local EMNE. It consequently possessed the resilience to overcome political resistance against cogeneration in the early years, and to translate it into a priority in later years.

Hence, going beyond the preliminary suggestions by Sun et al. (2010), for example concerning political embeddedness in emerging markets, this study exposes a much richer picture of how things actually evolve. Consequently, the strategic approaches to stakeholder engagement, social/political capital, local embeddedness, understanding Africa and the response to institutional realities effectively constitute the resource bundles (see sections 5.6 and 5.7 in Chapter 5) in which MNEs embed themselves, as a prerequisite to developing adequate political capabilities.

Revisiting research objective 3

This objective set out to explore the impact of the national political environment on the nature of CPA of MNEs in Uganda.

The issues related to this objective are substantively addressed in Chapter 6, section 6.5. Evidence there hence underscores the political uncertainty about how the reform would unfold, especially regarding tariffs and the ultimate cost to the public of electricity. This uncertainty translated into one of the main reasons for continued interference by the government in regulation, in spite of pro-market reform. The first movers particularly had to take this situation into consideration, as reflected in the efficacy of their political resources and capabilities (Ramamurti and Doh, 2004; Frynas et al., 2006). Frinam, as the government's direct partner in implementing reform and the quasi successor to the disbanded Uganda Electricity Board, was particularly vulnerable. The situation was further complicated by the premature termination of the Bujagali I project, which had till then constituted a core element in the government's strategic planning for sufficient electricity generation in the country.

In the years that followed, Uganda's parliament made some modest progress in asserting itself against the executive arm of the government in influencing developments in the sector (see section 6.5.4.4 in Chapter 6), as part of a growing democratisation in emerging countries (Tripp, 2004; Azevedo-Harman, 2011). This in turn necessitated a readjustment of CPA strategies that were based on the continued predominance of executive influence. The readjustments took the form of strategic stakeholder remapping to address political actors more equitably (Holtbrügge et al., 2007; Ghobadian et al., 2009; Reimann et al., 2012), the pursuing of collective political action in the industry (Bonardi et al., 2005; Bonardi and Keim, 2005; Ozer and Lee, 2009) as a tool against regulatory and policy pressures, and the reinforcement of anticipatory capabilities (Oliver and Holzinger, 2008; Lawton et al., 2013b) as a risk mitigation measure, among other strategies.

It is also noticeable that the government as a whole became more critical of MNEs in later years. While there was no indication of an intention to fall back into renationalisation, the suspension of all major privatisation projects signalled that some serious rethinking was taking place (Mwenda, 2015). MNEs were hence under pressure to refine their CPA strategies and to accommodate the increased political risk and uncertainty that had now set in (Frynas and Mellahi, 2003; Ramamurti and Doh, 2004; Jensen, 2008; Henisz and Zelner, 2010). All in all, the study illustrates that MNEs need to be sensitive to an often fragile and unpredictable political environment. Political capabilities that might have served them well in the early stages were often rendered inadequate, and needed to be substantively reviewed.

Revisiting research objective 4

This objective set out to contribute to knowledge by advancing evidence that illuminates the nature of CPA of MNEs and the associated political capabilities in an African emerging market, and that clarifies its institutional implication. This objective will be addressed separately in the next subsection.

7.4 Contribution to knowledge

This subsection on contribution to knowledge builds on the introductory statements advanced in Chapter 1, section 1.5. The primary contribution to knowledge from this research concerns the CPA domain (see the introduction in Chapter 1, sections 1.5.1 and 1.5.2), adding to it perspectives on antecedents and a typology of CPA in emerging markets. There is a further synthesis under this domain addressing political capability theory, as introduced in Chapter 1, section 1.5.3. In addition, there is a secondary contribution from an institutional theoretic perspective addressing the process of emerging institutionalisation, building on Chapter 1, section 1.5.4. Finally, there is a policy perspective that develops Chapter 1, section 1.5.5. All the contributions are found to be located in the broad field of strategic management (with implications for international business), but more specifically in the emerging nonmarket strategic management field.

7.4.1 The CPA domain

Primarily, the study contributes to a growing body of evidence on what CPA really entails in an emerging market context. While there has been substantial evidence on the phenomenon in highly institutionalised market contexts, there is to date only an embryonic investigation of new emerging markets. The research here is hence a

response to calls by various international scholars for more research in this direction (Doh et al., 2012; Kingsley et al., 2012; McGuire et al., 2012; Lawton et al., 2013a; Lawton et al., 2014). For example, Lawton et al. (2013a, p.99) predict that 'as emerging markets come to have greater stakes in the international economy, it seems plausible to suggest that their firms will, like their western counterparts, come to see political activity as a necessary complement for their market strategies'. Further, McGuire et al. (*op cit.*, p. 32) observe that 'understanding CPA by emerging market firms is an important element of our understanding of the increasingly multi-polar international economy'.

The research hence identifies formations of CPA and the associated political capabilities in these markets. This contributes specifically to two streams of research categorised by Hillman et al. (1999; 2004) as i) antecedents of CPA and ii) types and typologies of CPA. Furthermore, the political capability perspective informs the broader organisational capability theory area of management research. It does this by adding insights at the interface between organisational capability theory (and RBV more broadly), and the theory underlying the political environments of MNEs during internationalisation. The study thereby reinforces literatures that extend organisational capability theory beyond its traditional preoccupation with the market environment (e.g. Lawton et al., 2013b), as shown in the seminal works of Nelson and Winter (1982) and Volberda (1998). Consequently, it specifically contributes to embedding political capability theory, from an emerging market lens, more strongly into organisational capability theory than has thus far been the case.

7.4.1.1 Antecedents of CPA

The study has added some insights to this stream of research from a firm, industry and institutional perspective, as summarised below.

The firm-level antecedents of CPA

The firm-level perspective has been enriched by experiences concerning dependency on government and the implications of managerial influence. Accordingly, emerging market governments retain a substantive controlling stake in strategically important economic sectors, in spite of pro-market reform. This translates into a hybrid government dependency situation to which CPA must respond. Things are further compounded by an imbalance of power between the different arms of government, with the executive generally as the more powerful arm. But recent years have seen African parliaments gaining some ground and questioning CPA strategies that were previously predicated on executive supremacy (Azevedo-Harman, 2011). The study hence contributes to research streams that suggest that firms with a stronger dependency on government will prefer relational approaches to CPA (Hillman and Hitt, 1999; Schöler, 1999; Hillman et al., 2004; Jessie Qi and Peng, 2010).

In this study, the deployment of political resources to create political capabilities that translate into relationship-based CPA is particularly evident in a symbiosis between one of the cases, Frinam, and the host government. While the symbiosis works well in the initial years of reform and fills in the gap left by the unbundled state-owned monopoly, it collides with emerging institutional and political structures in later years. This suggests that political capabilities that target opportunities at the early stages of reform need to be substantially anticipatory right from the start, if their strategic value and utility are not to be eventually eroded. Given the magnitude of change taking place in these markets, this research indicates that the scale and scope

of anticipation needed surpasses what is common in institutionally and politically more stable environments. It is this quality of anticipation, which Avin revealed by accommodating the years of government hostility to electricity cogeneration prior to a strategic rethink, that benefitted the subsector and catapulted the firm into being a new regional market player.

In an African context, relational approaches however follow an even sharper trajectory given the relationally-oriented cultures that predominate there (e.g. Acquaaah, 2007). This relational prioritisation also partly explains the observation in this study that firms in symbiotic relationships with governments tend to resist the emergence of more sophisticated institutionalisation.

Regarding managerial influence, the study suggests that it can be a double-edged sword. Hence, while a Frinam manager accumulated extensive influence at the early stages of reform, to the benefit of the MNE, his influence became a liability later as different actors questioned his behaviour (see section 6.5.3.3 in Chapter 6, for example). While extant literatures have interrogated managerial influence mainly from a political orientation dimension, based on contributions to preferred political parties (Cook and Barry, 1995; Blumentritt, 2003; Blumentritt and Nigh, 2002), this study underscores the ambiguities in emerging markets where multi-party democracy is still fragile and true alternative choices are limited. The nature of managerial influence here has also been illustrated by the extent to which politically capable MNEs go to embed senior managers in the communities hosting socially and environmentally sensitive projects belonging to these MNEs. The Pisu/Energy Global case was particularly instructive in this regard, leading to very good relations between the managers in question and the hosting community (see section 6.4.4.3 in Chapter

6). In effect, it was a deployment of the relationship-based approach examined above, but this time focussed on local government officials and the host community. These diverse approaches to managerial influence also contribute to extending the application of the Levels of Stakeholder Engagement (LSE) model (Baines and Viney, 2010; Ghobadian et al., 2009) to a new emerging market context. This suggests that even at a particular level of stakeholder engagement there can be a differentiation to accommodate specific demands, as exemplified by the industry sub-segment perspective explained below.

Industry level antecedents

The study has further contributed to the streams of research that examine CPA at an industry level (Getz, 1997; Schöler, 1999; Bhuyan, 2000; Hillman, 2003; Lawton et al., 2013b; Lawton et al., 2014). While these literatures have used a western industrial context, the study contributes by building on some seminal emerging market perspectives, for example Sun et al. (2010a). The early stages of industry reform in these markets are hence fertile ground for antecedents of CPA, especially if it is crafted and deployed by politically well-connected MNEs. This being a stage of major re-organisation and capacity-building at various levels, first-mover entrants have opportunities to shape the industry substantively (Frynas et al., 2006; Ramamurti and Doh, 2004), especially if they have a government mandate, as Frinam did. The study has illustrated how such first-movers set precedent, both negatively and positively.

Frinam, particularly through its first subsidiary manager, was able to politically engage so extensively and deeply that the manager was eventually referred to as 'The

Architect¹²² of the reformed industry. The Frinam case in Uganda contributes to understanding how emerging continental activists are increasingly reshaping industries as a central element of the pro-market reforms underway in much of Africa. However, long-term success depends on the development of new political capabilities to manage an increasingly complex industry situation. Frinam hence spearheaded the formation of an industry umbrella association as a strategic and normative response to the emergence of more powerful regulatory and policy-making institutions (Scott, 2001; Oliver, 1991; Oliver and Holzinger, 2008).

The study not least illustrates the emergence of antecedents in different sub-segments of the industry. So while Frinam has generally targeted existing large-scale dams owned by various African governments, Pisu/Energy Global specialises in new, large-scale projects involving a broader multi-stakeholder field. Avin, on the other hand, underscores an industry sub-segment (cogeneration) that strategically supports the core hydro-dam sector. Prolux finally encapsulates the patterns in the small- to medium-sized dam segment. The research has therefore provided insights into how antecedents of CPA in these diverse sub-segments of the electricity industry are unfolding, and the implications for the emerging broader industry picture.

Institutional level antecedents

The study additionally contributes to a stream of research that examines how country-based institutional differences affect political action (Hillman and Keim, 1995; Hillman and Hitt, 1999; Blumentritt, 2003; Hillman, 2003). In a pro-market reform context, it is necessary to introduce new institutional arrangements to drive the change. This study illustrates the evolving demands of the different stages of

¹²² This term was used in a report by a parliamentary inquiry into Uganda's electricity industry (D002, D003).

emerging institutionalisation on CPA. As the demands became more sophisticated, there was a need to adapt CPA by developing new political capabilities or reconfiguring existing ones. Ultimately, the research exposes a co-evolutionary relationship between CPA and emerging institutionalisation.

Consequently, the strategies chosen are not homogeneous, i.e. they are not configured to proactively influence government policy in favour of the MNEs, as is generally implied in extant literature (Boddewyn and Brewer, 1994; Hillman and Hitt, 1999; Hillman et al., 2004). Rather, there is a heterogeneous mix of both proactive and adaptive strategies (it is also not unusual for both strategies to be deployed simultaneously). We hence have, as discussed in Chapter 6, highly proactive (see e.g. section 6.4.4.2), modestly proactive (see e.g. section 6.4.5.2), highly adaptive (see e.g. section 6.4.5.2), modestly adaptive (see e.g. section 6.4.5.2) and highly anticipatory (see e.g. section 6.4.5.4) forms of CPA, among others, being manifested. The political capabilities associated with these different forms of CPA include negotiation of privileged access to host and home governments; identification, recruitment and empowerment of politically connected staff; establishment and management of dynamic multi-stakeholder engagements; and a comprehensive understanding of the African emerging market context. The research throws some light onto how these activities and the associated capabilities emerge and are configured to produce antecedent forms of CPA.

One of the key determinants of this heterogeneous strategic mix is the political and environmental reality of a semi-authoritarian and weakly institutionalised emerging market. So while MNEs operating in decidedly authoritarian conditions might not at all attempt to proactively influence policy given the risks involved, MNEs in semi-

authoritarian environments like Uganda, where there is some level of democratic and constitutional order (Tripp, 2004; Robinson, 2007; Tripp, 2010), have some leverage in choosing between proactive and adaptive strategies. An important determinant of success here is the ongoing reconfiguration of the relationship between different arms of government as part of democratisation processes. Some modest gains by Uganda's parliament against the executive arm of the government (effectively the presidency) provide some insight into the implications for CPA, particularly for highly politically active MNEs.

The insights in this contribution are especially useful as Uganda was one of the pioneers of pro-market reform in Sub-Saharan Africa (Keating, 2009; Kuteesa et al., 2010), and hence offers lessons about the reality in such novel contexts.

7.4.1.2 Types and typologies of CPA

Further, the study makes a contribution to streams of research that propose types and typologies of CPA (Hillman and Hitt, 1999; Luo, 2001b; Hillman et al., 2004; Luo, 2004; Lawton et al., 2013a), by identifying some new emerging market aspects. It suggests how heterogeneous political strategies can be systematically categorised, for instance using a three-by-three matrix producing nine different combinations of proactiveness and reactiveness (see table 6.3 in Chapter 6). Most importantly, the proposed typology exposes four predominant archetypes in new emerging markets undergoing regulatory institutionalisation. These are the **continental activist**, the **global realist**, the **historical entrepreneur** and the **localised hybrid**, as reflected in the CPA of Frinam, Pisu/Energy Global, Avin and Prolux respectively.

The capability to tap into high-profile political networks and events supporting a continentally-oriented market entry and embeddedness perspective features prominently among continental activists like Frinam. These MNEs emerge as favourable partners for various African governments developing an African interpretation of market capitalism. The meta-capability to flexibly integrate local and global political capabilities stands out prominently with Pisu/Energy Global, on the other hand. Pisu represents EMNEs that are increasingly making themselves attractive as potential partners for strategic partnerships with AMNEs. They are hence poised to acquire new capabilities through these partnerships, and in turn take on new projects with their partners.

The historical entrepreneur not least encapsulates EMNEs that are embedded in the pre- and post-colonial history of Africa, and which are well-positioned to anticipate and exploit strategic change in different regions of the continent. Avin hence evolved into a change agent in the Great Lakes region as it sought to penetrate otherwise highly fragile markets like Southern Sudan and the DRC. Such EMNEs are so embedded that they can sometimes afford to openly challenge government policy. Finally, the local hybrid is archetypical of AMNEs that become highly localised, but retain an international perspective by following HQ standards, for example concerning social and environmental impact awareness. Typically, these MNEs originate from advanced economies and specialise in capabilities that proactively relate to the home country's development aid community, while excelling at compliance with emerging institutional rules in the host market. They hence also function as model cases in development aid programs.

Uganda's experience is hence effectively a test case not only for the feasibility of pro-market reforms in Africa, but also for the viability of diverse CPA models. This also opens a strategic window for the deployment of these strategies in other African host markets. As an example, Pisu/Energy Global was eventually able to leverage its learning in Uganda to secure a new project on the Ruzizi River with the involvement of Tanzania, Burundi, Rwanda and the DRC. Frinam, for its part, appeared to be getting strategically set to benefit from an early commitment by its home government to buying a substantive share of the future power generation from Inga III, one of Africa's most important hydropower-dam projects to date (Yukhananov, 2014). Lessons from Uganda were hence potentially important for these emerging projects and institutional contexts.

7.4.1.3 Political capability theory

As introduced at the start of this subsection, a third and final perspective of the CPA domain addresses corporate political capabilities more specifically, thereby contributing to strengthening the broader organisational capability (and RBV) theory domain (Nelson and Winter, 1982; Prahalad and Hamel, 1990; Volberda, 1998; Helfat and Peteraf, 2003; Peteraf, 2006). While the two contributions above have also variously addressed aspects of corporate political capabilities, it is in this final subsection that the contribution from an emerging market perspective is explained more thoroughly. An important objective is to clarify how political capabilities in a new emerging market context may challenge what is currently argued in extant literatures.

One of the most important insights is that, in spite of pro-market reform in Uganda's electricity sector, there is still significant direct government involvement in the sector.

In effect, the reform model turned into a hybrid that determines the nature and the character of the political capabilities that MNEs can successfully deploy to influence policy. In turn, business-government relationships under such conditions, especially regarding MNEs in direct partnership with the government, tend to be strong. These relationships are however consequently vulnerable to diverse inducements, depending on the exchange value that the political actors and their MNE partners place on them (Baysinger, 1984; Getz, 1997; Getz, 2001; Holtbrügge et al., 2007). The study suggests, however, that the area is still very fluid as there is no clarity yet about what is illegal and legal, let alone about ethical and political behaviour.

This study indicates that the early stages of industry reform in emerging markets undergoing regulatory institutionalisation are particularly conducive to the political capabilities that make these relationships attractive and valuable. Frinam, in its role as a first mover, with a mandate from the Ugandan government to be the benchmark entrant, illustrated this reality particularly richly. However, some of the political capabilities from which it strongly benefitted in the early stages degenerated into a handicap at the intermediate stages, thus precipitating a major review of its strategy. As explained in Chapter 6 (see section 6.4.5.1), its challenges were especially caused by Uganda's parliament becoming more assertive and hence more critical of political activities that had previously favoured the executive arm of the government. The challenge from Uganda's parliament was so intense that Frinam faced the prospect of a termination of its contract. The case contributes to research streams that explore the political resources and capabilities of first movers in emerging markets (Frynas et al., 2006; Ramamurti and Doh, 2004), suggesting that they need to moderate the advantages of first entry with strong anticipatory and forward-looking capabilities, in order to mitigate potential risk. The scale and scope of anticipatory political

capabilities needed appear to be quite substantive, and they may be challenged by the fragility and the unpredictability that characterise many emerging markets.

By investing in relationships with emerging market governments, MNEs like those in this study are also contributing substantially to shaping new versions of market capitalism as part of a new multi-polar global economy (McGuire et al., 2012; Lawton et al., 2014). The study therefore indicates that corporate political capabilities play a direct role in this strategically important process. It sketches how various MNEs heterogeneously approach this development along the path of pro-market reform. In effect, the capabilities they deploy help configure a hybrid market where the state still plays a substantive role in the economy, albeit in strategic partnership with MNEs. The insights contribute to calls for more research to explain diverse interpretations of the free market economy, following its emergence as the predominant model for market organisation after the Cold War (Bartlett, 1990; Hall and Soskice, 2001; Bremmer, 2009; Nölke and Vliegenthart, 2009; Jessie Qi and Peng, 2010; Lawton et al., 2013a; Li et al., 2014; Lawton et al., 2014).

Furthermore, the case contributes to answering a question raised by Lawton et al. (2013b) in a research paper about whether some political capabilities can be 'harmful' to firms. By virtue of the significant challenges that Frinam experienced in the later stages of reform, where its earlier political engagement was seriously questioned, the study suggests that some capabilities can indeed be harmful. The case however also indicates some of the new political capabilities that MNEs need in order to undo the harm or limit its impact. Frinam consequently undertook a major stakeholder remapping that resulted in a repositioning of the level of stakeholder engagement (Ghobadian and Viney, 2002; Ghobadian et al., 2009) of Uganda's parliament and other critical political stakeholders, in order to make them more co-operative.

There has also been a suggestion that repeated interaction with policy makers by MNEs would help in improving political capabilities (Bonardi et al., 2006). Frinam's case as cited above however suggests that there are limitations to the usefulness of this interaction. So while it was enormously useful at the very early stages of pro-market reform, it needed to be recalibrated at later stages. This suggests that the capabilities of interaction need to be approached with a longer-term view if the benefit is to be sustained. By implication, the capabilities would need to be developed even further and integrated into broader corporate strategy, which by definition has a long-term view (Grant, 1998; Peteraf, 2006).

More broadly, such markets are characterized by an evolutionary reality that heterogeneously mixes the capabilities of political proactiveness and reactivity, based on the political imperatives of the stage of regulatory institutionalisation and the political disposition of the MNE/project in question. The interpretation of the strategic implications of the dependency on government in the sector, and the strategic options for deploying managerial influence, emerge as critical considerations here. This reveals itself particularly in the capabilities that build relationships with political and institutional actors (Baines and Viney, 2010; Ghobadian et al., 2009) in an African cultural context that is already relationally disposed. But while such relational capabilities are conducive to institutional emergence at the early stages of industry reform, where they compensate for serious regulatory voids, they substantially conflict with advanced forms of institutionalisation that threaten existing competitive advantage. EMNEs and AMNEs consequently differ in some important ways in how they approach this emergence, based on their experience with diverse weak and strong institutional contexts. The insights here hence contribute more

broadly to streams of research addressing institutional voids in emerging markets (Khanna et al., 2005; Crittenden and Crittenden, 2010; Stal and Cuervo-Cazurra, 2011; Khoury and Prasad, 2012; Mair et al., 2012; Luiz and Ruplal, 2013; Zhao et al., 2013). The contribution illuminates aspects of the corporate political capabilities that are developed and deployed to surmount these voids.

Finally, the study contributes to streams of research that investigate the 'political embeddedness' of MNEs in emerging markets (Choi et al., 1999; Hardy et al., 2005; Sun et al., 2010a; Okhmatovskiy, 2010; Kingsley et al., 2012; Liu and Halliday, 2011; Alimadadi and Pahlberg, 2014). It specifically indicates that the political capabilities for getting embedded in the political institutions of emerging markets undergoing regulatory institutionalisation operate at diverse levels: the local, the national, the regional, the continental and the international. The decisions about where to concentrate attention on these different institutional dimensions and how to adapt to changes along the path of institutionalisation constitute one of the most important indicators of the corporate political disposition of MNEs. They are also indicative of the archetypical patterns discussed earlier. Consequently, the Global Realist in the study excelled regarding locally-oriented political capabilities, while the Continental Activist preoccupied itself with nationally- (and continentally-) oriented capabilities, for example.

7.4.2 Extending institutional theory

At a secondary level, the research makes a contribution to extending institutional theory, as introduced in Chapter 1, section 1.5.4. Consequently, it adds to the literatures that explore and explain the stages of institutionalisation of rules and

norms in organisational contexts (Scott, 1987; Oliver, 1991; Tolbert et al., 1996; Greenwood et al., 2002; Kim et al., 2010). Of particular importance is the observation that there has so far been a preoccupation with the antecedents and the effects of institutionalisation, but not with the process itself (Greenwood et al., 2008, pp.708-9). Yet the processual perspective might provide rich insights, especially in novel emerging markets. The corporate political ramifications of this institutionalisation process, in a pro-market reform context, are especially illuminated in this study.

The research deploys the three-stage framework proposed by Tolbert et al. (*op cit*) to examine the reality of regulatory institutionalisation in Uganda. This reality translates into a need for an extended 'theorisation' stage prior to the pre-institutionalisation stage proposed by Tolbert (see table 3.1 in Chapter 3 and Fig. 5.6 in Chapter 5). The study has demonstrated the importance of this stage for countries like Uganda that are inexperienced with pro-market reform and yet must make important decisions about the reform models to apply to their contexts, especially in politically sensitive sectors like electricity. Further, the study indicates that MNEs that substantively engage with this theorisation stage, with the aim of understanding the strategic thinking and behaviour of political and institutional actors, are enabled to formulate more successful CPA strategies, at least at the early stages of reform.

Further, the idiosyncrasies of a substantially volatile emerging market necessitate a differentiation and expansion of Tolbert et al.'s simplified framework into more focussed stages. The outcome here is a new framework (see Fig. 5.6 in Chapter 5) consisting of seven stages: *Theorisation I*, *Theorisation II*, *Pre-Institutionalisation I*, *Pre-Institutionalisation II*, *Semi-Institutionalisation I*, *Semi-Institutionalisation II* and

finally *Full Institutionalisation*.¹²³ This is a framework that is broad enough to capture the complexities of an emerging institutional situation, but also focussed enough to allow for concrete insight. The observations hence extend external literatures which presuppose institutional change within a stable wider national system (North, 1990; North, 1991).

The study also demonstrates that while all MNEs explicitly support emerging institutionalisation at the early stage of reform, there is a separation into generally supportive and subtly resistant MNEs at the intermediate stages. The decision to support or (subtly) resist institutionalisation appears to depend on divergent interpretations of the political conduciveness of having legitimised and powerful regulatory and policy-making institutions. A resistance is most evident if a symbiotic relationship between the key political actors and the MNEs has emerged in the early years of institutionalisation, but is threatened by more sophisticated institutionalisation in later years. The resistance was especially evident in the Frinam case, which consequently redirected its focus to develop collective political capabilities (Bonardi et al., 2005; Oliver, 1991; Ozer and Lee, 2009) in the industry by spearheading the start of an industry umbrella association.

7.4.3 Contributions to policy making in Uganda's electricity industry

Finally, there is a contribution to the understanding of policy making in an emerging market context. The insights here build on the introductory remarks in Chapter 1, section 1.5.5 and are integrated in the recommendations section of this chapter (see section 7.7).

¹²³ The full institutionalisation stage is not shown in the figure, as it was not applicable for the period under study.

7.5 Limitations of the research

While the results of this research offer important insights and contribute to filling a research gap, there are some limitations. These limitations are henceforth outlined.

Firstly, the findings are based on a single industry. There is hence a limitation to the generalizability to other industries. Even within the electricity industry itself, there has been a focus on the generation subsector, excluding the transmission and distribution subsectors. It would therefore be instructive to compare and contrast developments in these other subsectors, with the aim of attaining a more holistic perspective. Further, the electricity sector and the other utility sectors are characterised by a generally strong regulator intervention, something that is not necessarily the case in other industries. The CPA dynamic in these other industries might therefore take a different trajectory, and market entrants might not have as much access to political and institutional actors. The implications for institutionalisation might hence be less clear. Utilities are also characterised by a regular tariff review process that opens many doors for market entrants to try to influence the process (Bonardi et al., 2006). Other industries are not beneficiaries of this regulatory characteristic, thus decreasing the opportunities available to market entrants to try to influence the outcome.

In addition, the study did not benefit from an empirical understanding of the situation at a more mature stage of institutionalisation. So while a split was observed between supporters and relative opponents of further institutionalisation during intermediate stages of institutionalisation, it is not evident how different MNEs would behave at more advanced stages. Further, there is a need for a wider and more diverse sample of MNEs in order to capture an even richer reality of CPA. This sample could also accommodate the impact of Chinese MNEs that have received contracts for two new

large dam projects (Karuma and Isimba). It is especially interesting to note that these MNEs are benefitting from a special government-to-government relationship between China and several African countries, including Uganda, in ways that are instructive for new variants of CPA, perhaps from a Sino-African cultural perspective.

Finally, the study relied on a qualitatively-based methodological approach to inform the research design. While this is a recommended approach in such an exploratory and novel research setting (Eisenhardt, 1989; Dyer and Wilkins, 1991), there is need for a methodological triangulation to establish whether other approaches come to the same result. With a growing stabilisation of the sector, quantitatively-based investigations might provide some broader insights, for example. Exploring mixed research approaches could also add value, ultimately.

7.6 Future research

This subsection proceeds to make some suggestions for future research, to build on the findings here.

Firstly, future research can aim to explore CPA in the transmission and distribution segments of Uganda's electricity industry, in order to complement the focus on the generation subsector in this study. As such, there would be an opportunity to identify broader intra-industry dynamics of CPA in such an economically and politically important industry. The findings would further inform the understanding of nonmarket strategic management in the industry. Future research might further use a multi-industry context, thus identifying similarities and differences and how CPA can be more strongly industrially focussed. There is also a need to examine the evidence

at more advanced stages of institutionalisation. Insights from that would put the findings of this research in a stronger light.

This study has presented a rich exposition of the portfolio of strategic choices available to MNEs, and the institutional ramifications of the choices. Future research will however need to dig deeper into the choices and how they can accommodate an ever more complex situation. This entails a deeper understanding of the transformation of political resources into political capabilities, and ultimately into core competences for competitive advantage (Prahalad and Hamel, 1990; Peteraf, 2006). Insights into the process of identifying critical political resources and bundling them adequately, as a prerequisite for attaining capabilities, would thereby enlighten our understanding of reality (Lawton et al., 2013b). Since these markets have been identified as the markets of the future, MNEs have a basic interest in understanding the dynamics and the processes involved.

Further, a multi-country research perspective might expose instructive constellations taking shape in diverse emerging markets. For example, the different trajectories that UK-oriented Commonwealth countries have taken following a common colonial experience might offer useful insights. This could be particularly illuminating for how different post-colonial country contexts affect CPA. It would also strengthen the empirical foundation and generalizability of the CPA typological framework that has been proposed in this research.

There is also a need for future research into how the awarding of ever more contracts to Chinese EMNEs will impact on CPA patterns in emerging markets. Given the extraordinarily high incentives that are associated with the entry of these firms (for example project finance at very low interest rates and minimum political

conditionality), countries like Uganda are increasingly making rational decisions that favour these entries. The full implications for nonmarket strategic management are however unclear and need empirical investigation.

Other research might make an exploration of the borderline between legally accepted CPA and illicit versions that entertain bribery and corruption (Tangri and Mwenda, 2006; Cuervo-Cazurra, 2006; Mantere et al., 2009; Venard, 2009; Mbaku, 2010; Okhmatovskiy, 2010). With many new emerging markets struggling to establish effective systems against the illicit versions, this offers several opportunities for future research.

Finally, there is a need to further investigate the implications of the tensions between Uganda's parliamentary and executive arms of government concerning key aspects of pro-market reforms. Whether Parliament will be able to make more substantial gains in asserting itself against the executive, and the implications of this for future CPA, are areas that call for more research.

7.7 Recommendations from the study

This subsection now advances a set of recommendations to MNEs/EMNEs, policy makers, regulators and related stakeholders, derived from the findings in the study.

7.7.1 Clarification of institutional roles and responsibilities

While the Electricity Act 1999 was generally clear about the roles, functions and jurisdictions of the various institutions which would regulate the reformed industry, the first sixteen years have exposed many areas of institutional conflict and contradiction. For example, there seemed to be a power struggle between the Ministry

of Energy and Mineral Development, the Ministry of Finance, Planning and Economic Development, the Ministry of Water and the Environment and the various authorities under these ministries. In many cases, this tempted market entrants to develop and use CPA practices that exploited the institutional disharmony. There is hence a need for a stronger streamlining of institutional roles, functions and jurisdictions and a clearer autonomy for the lead regulatory body, even during crises.

7.7.2 Discussion on scale and scope of institutionalisation

In light of the evidence in this study that some MNEs tend to resist institutionalisation at advanced stages of the process, there is need for a comprehensive discussion by all the key stakeholders in the sector about the path to follow. This entails a deeper understanding of what ‘institutions’ really means in Uganda’s socio-cultural and political setting, particularly the balance between formal and informal institutions. One key aspect here is the possibility of institutionalising a balance between relationship-oriented and transaction-oriented interactions, noting that the former perspective resonates more with the local African culture.

7.7.3 Assessing risk

As part of awarding licenses to market entrants, the regulatory institutions need to become more competent and knowledgeable at assessing the risks associated with particular entries, particularly for large dam projects. As an example, the risks associated with the entry of AES in the Bujagali I project, which was later terminated, were not adequately considered. Further, the government relied exclusively on the timely materialisation of this project and substantially neglected diversifying the sector. With a much more comprehensive approach to risk assessment and mitigation, the electricity supply crisis that resulted from the delay of the Bujagali project could have been avoided. Projects like Avin’s cogeneration could also have been supported

and expanded much earlier, thus providing alternative supplies of electricity. Additionally, the negotiation approaches to these projects were often weak and not far-sighted enough, hence accepting a comparatively large share of risk. In essence, this means that political and institutional actors need to be more aware of the CPA-related risks in the sector. As part of nurturing this awareness, the relevant institutions could run some regular training for their staff on risk assessment and its strategic implications.

7.7.4 Clarifying the involvement of government in the sector

While the government chose a substantially robust model of reform for the electricity sector, it ended up practically and deeply involved in the sector by virtue of a close relationship with the official first entrant, Frinam. The extent of the sector's political importance justified this continued involvement. Tension developed however concerning the relative involvement of Parliament versus the executive in shaping industry policy and implementing key decisions around it. Given the potential for market entrants to exploit this intra-government strain, there is need for a strategic clarification of the situation as part of strengthening democratic governance and enforcing compliance with emerging constellations. But in light of experiences in similar emerging markets, which underline government involvement as part of an emerging 'state capitalism', there is need for a stronger clarification of what this specifically entails for Uganda.

7.7.5 Institutional learning strategies

There is a need to streamline the processes by which institutional actors learn from the projects as part of improving future performance. As an example, the institutional learning from the failed Bujagali I project needed to be concretised and shared more

comprehensively. While Pisu/Energy Global extensively disseminated its experience and insights, the relevant institutions in Uganda were rather reserved in drawing and sharing lessons. Since there are more and even larger projects on the horizon, this learning needs to be approached more strategically. If there was a clearer approach to learning, it would also serve as a way of informing the formulation of CPA strategies in future. The sharing of experiences by different institutions in the sector also needs to become stronger. This would help to 'institutionalise' best practice and to strengthen institutional synergies.

7.7.6 The implications of heterogeneous political strategies for MNEs

In light of the conduciveness of heterogeneous political strategies in these emerging markets, there is a need for MNEs to more deeply understand the diverse combinative options. The heterogeneous strategy matrix proposed in this study would be a good place from which to start this exploration. Further, if some strategy- and knowledge-sharing sessions for both potential entrant MNEs and institutional actors were arranged, this could contribute to a shared understanding of key strategic dimensions.

7.8 Final reflections on the research

At the end of the research journey that began three years ago, it is fitting to make a few reflections. Perhaps the most important reflection is that it has been a truly rich experience, developing my skills and capabilities as a management researcher. Starting off with a solid grounding in the fundamentals of research paradigmatic thinking during the relevant training on the PhD research program at The Open University, I have then had extensive opportunity to test out methodological theory and to gain my own in-depth experience. It appears to me that a substantive part of

what a researcher actually experiences in practical terms is not adequately addressed in the standard research teaching texts. The texts however are important in sensitising a researcher to the broad premises and expectations, which then support the making of solidly grounded decisions in different situations on the journey. This is even more important in novel research contexts like Uganda, where assumptions made for much more stable and institutionalised contexts in advanced markets have serious limitations.

The multiplicity of levels at which a piece of research like this is conducted stands out prominently, too. I therefore at one time got completely covered in thick African dust as I travelled on a *boda boda* (motorbike) to visit some local community officials associated with the Bujagali project. Next morning, I had to wear an impeccable suit to go and meet a former Minister of Energy in an air-conditioned office in Kampala. But both categories of informant offered insights that immensely enriched the story, irrespective of the diametrically opposed external circumstances. In the end, it is the ingenuity with which the different levels are integrated to produce a coherent whole that emerges as one of the key skills mastered along the way. In a study with different core cases and several supporting institutions and organisations that were drawn on, it is of basic importance to competently manage both the intra- and the extra-organisational multiplicity of levels. This is compounded by a cultural context that generally prefers informal relationships, rather than rigid formalised ones. That then necessitates the ability to make subjective judgments about the adequate mix of formality and informality in different situations. Related to this is the high potential in this cultural context of getting so immersed in the informal relationships with informants that it becomes challenging to keep a professional distance. It is here though that the solidity of training and skills development becomes evident. The

journey, in essence, has been characterised by these moments of rediscovery and re-interpretation.

My deepest moment, in retrospect, was when the local community leader I alluded to above wanted to know about my ancestry. In the interesting exchange that followed, we discovered that my late father had been his teacher many years earlier. I had visited a research methods workshop where the facilitator laboured to sensitise us about those unexpected and deeply emotional moments in the field. At that time, it was hard to really imagine what could happen that could come close to throwing me off. But there I was, relieving the years of my childhood, triggered by the enquiry of my interview partner. I was almost tempted to think that the seeds of some what a researcher experiences may have been planted much earlier. My dad at one time risked to take me to see the Bujagali Falls, as I was so keen to see where the mighty thunderous noise that overwhelmed the whole region was coming from. One needs to know that the place was used by Idi Amin's unruly army as a training sight those days. So it required lots of courage and determination to brave it all and fulfil your child's desire to 'make sense' of things. Meeting this interviewee sort of closed the cycle of a wanting to know that had started much earlier. And yet it was only a preliminary closure, as there was still much more to discover on this rich and eventful journey.

In the end, it is the satisfaction of having withstood all challenges and exercised a high level of persistence and patience that predominates. It would however have been much more difficult to persist without the regular support and encouragement of the research supervisors, as well as the extended support team surrounding the research.

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9 Appendices

Appendix 1: Catalogue of interview questions (MNEs)

1. In your opinion, how has the industry developed since liberalisation? Are there key stages, events and milestones you feel have been critical to the evolution of the industry?
2. Which key rules and norms have emerged that most affect your firm? (In this research 'rules' are taken to be coercive requirements emanating from policy makers and regulators, and 'norms' are taken to be normative/mimetic requirements associated with intra-industry standards and benchmarks)
3. What activities have you specifically employed as a company in trying to favourably influence how these rules and norms emerge and are enforced?
4. Could you give me an idea about the type of resources and capabilities you use as a company in interacting with government officials and political actors in Uganda?
5. How do you describe the processes and approaches involved in transforming the resources and capabilities into core competences and ultimately into broader corporate strategy?
6. Would it be fair to suggest that the resources and capabilities, and the processes involved in transforming them into core competences, have been evolving according to developments in the industry since liberalisation?
7. Could you explain a bit more about these changes (in qs. 6) from early stages to the present time?
8. I am interested in some comments about the experiences you have made with social and political capital in Uganda. How has it supported your company's activities aimed at favourably influencing policy, rules and norms in the industry?
9. How have your company's social networks that interact with political and government actors been changing since liberalisation?
10. To what extent has collaboration with local companies and other organisations been of importance in developing the company's social network strategy?
11. How has the nature of the collaboration been evolving since liberalisation?
12. Could you describe how much the company is embedded in local culture, history and laws?
13. How specifically has the company adapted to local culture, laws and history? What aspects has it found challenging (and why), and how has it overcome these?
14. What is the level of autonomy given to the local subsidiary by HQ in making decisions?
15. How has the embeddedness and adaptation impacted on activities surrounding interaction with government and political actors?

Appendix 2: Catalogue of interview questions (Institutions)

1. What are the most important issues the institution has dealt with concerning the electricity industry since liberalisation? (*Probe for challenges of dealing with MNEs and how the emerging institution has managed so far*)
2. How do lobbying and similar activities by firms impact on the institution? (*Prompt for levels of access; scale and scope of lobbying and related activity*)
3. What processes and systems does the institution have in place to handle and manage such activities? (*Prompt for formal vs informal aspects*)
4. Any observations how these processes and systems have been changing since liberalisation, perhaps in response to ever more sophisticated activities by firms? (*This can be indicative of the level of co-evolution*)
5. What aspects of lobbying and other influence-oriented activities of firms have been difficult to deal with, and why?
6. How important are such firm activities in influencing/shaping policy, rules and norms in the industry?
7. How do you see such firm activities changing in the future, and how will the institution respond?
8. Any open remarks and input?

Appendix 3: Sample of information sheet and consent form for research participants

INFORMATION SHEET AND CONSENT FORM

The research aims to investigate corporate political activities in Uganda's liberalised electricity industry, and how they have shaped and are shaping emerging industry rules and norms.

The data to be collected will be primarily qualitative based on semi-structured interviews, as well as evidence from archival materials.

The researcher commits to observe any confidentiality of data. Where required, the researcher will also honour any requirement to destroy any data materials after ending the doctoral research in October 2015.

Personal data will not be used at all.

The research partners will be requested to provide up to one hour of time for interviews, except where they deem it necessary to provide more time. This will be at their convenience between 15th August 2013 and 20th March 2014.

Participants have a right to withdraw from the research at any time, with no adverse consequence at all.

There has been a risk assessment in line with rigorous guidelines at the Open University, under which risk is reduced to a minimum. The researcher commits to declare any changes in risk perception accordingly.

Should the research participant have to travel to the interview venue, they will be accordingly compensated.

The researcher can be contacted as follows: Charles Mbalyohere. Contact in Uganda: +256(0)772647361. Contact in the UK: +44 (0)1908 653201. charles.mbalyohere@open.ac.uk

Lead supervisor: Prof. Dr. Thomas Lawton. Email: thomas.lawton@open.ac.uk

Researcher partners can request to have a copy of a summary of the research after completion in October 2015.

CONSENT FORM:

I freely consent to taking part in Mr Mbalyohere's research as per information details provided above. I acknowledge I can withdraw from the study any time.

NAME:

ADDRESS:

Signature:

Date:

Appendix 4: Ethics Committee Approval Letter



The Open University

From Dr Duncan Banks
 Chair, The Open University Human Research Ethics Committee
 Email duncan.banks@open.ac.uk
 Extension 59198

 To Charles Mbalyohere, FBL

 Subject *"Emerging institutions in Sub-Saharan Africa: Contrasting logics and alternative growth strategies in Uganda's energy sector."*

 Ref HREC/2013/1477/Mbalyohere/1
 Red form
 Submitted 30 May 2013
 Date 31 May 2013

Memorandum

This memorandum is to confirm that the research protocol for the above-named research project, as submitted for ethics review, has been given a favourable opinion by the Open University Human Research Ethics Committee by Chair's action as it is thought to be low risk.

Please make sure that any question(s) relating to your application and approval are sent to Research-REC-Review@open.ac.uk quoting the HREC reference number above. We will endeavour to respond as quickly as possible so that your research is not delayed in any way.

At the conclusion of your project, by the date that you stated in your application, the Committee would like to receive a summary report on the progress of this project, any ethical issues that have arisen and how they have been dealt with.

Regards,

Dr Duncan Banks
 Chair OU HREC

Appendix 5: Sample of letter/email seeking access to an MNE

Dear Ms....

Thank you so much for the introductory meeting we just had and for your readiness to support my research.

As agreed I now send you a summary of the interview clusters and potential questions under each. These are meant to generally guide the discussion and not necessarily to strictly limit it. I further send you a research brief to provide wider rationale for the research and to put the questions in context.

I hope this will help preparation for the meeting you have offered on the 16th of April, and thank you very much.

I am further grateful for permission to visit the dam installation in ... in order to get a better sense of things on the ground and hence be in a stronger position for ensuing research analysis and thesis write-up. I am thinking that the visit should be before our meeting on the 16th, such that it informs the discussion. I therefore propose the following days: Thursday, 10th April or Friday, 11th April or Tuesday, 15th April. I am also open to an earlier date, apart from 8th April.

Finally, as mentioned during our meeting, I propose to send you an executive summary of the final thesis once it is ready as acknowledgement for the support. If there is any other way I can be of help for your current research activities, please let me know such that we can discuss how to assist.

Many thanks indeed and looking forward to hearing from you.

Kind regards

Charles Mbalyohere

Mob. 0784439581

Charles G. Mbalyohere, Eng., MBA, MRes, MPhil

Researching: Strategy processes, activities and learning in Sub-Saharan Africa

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Appendix 6: Sample of letter of recommendation from the Permanent Secretary, Ministry of Energy and Mineral Development, Uganda

TELEGRAMS: ENERMIN
TELEPHONE: +256 414 234733
GENERAL LINE: +256 414 344414
FAX: +256 414 349342
E-MAIL: psmemd@energy.go.ug

IN ANY CORRESPONDENCE ON
THIS SUBJECT PLEASE QUOTE NO.....



MINISTRY OF ENERGY AND
MINERAL DEVELOPMENT
P. O. BOX 7270,
KAMPALA.

ADM/187/241/01

8th March 2014

The Managing Director
Tronder Power Limited
KAMPALA

RE: INTRODUCTION MR. CHARLES MBALYOHHERE PHD RESEARCH/INTERN STUDENT

This is to introduce Mr. Charles Mbalyohere to you, who is doing a PhD at The Open University Business School, United Kingdom.

He is carrying out research on the topic "Relationships between multinational enterprises and Government in Uganda's Liberalized Electricity Industry and how this impacts on emerging institutions".

We feel his research will add to our understanding of the sector and how we can improve on policy formulation for a better performance.

We therefore request that you offer Mr. Mbalyohere the support he needs to carry out his research.

A handwritten signature in black ink, appearing to read "F. A. Kabagambe-Kallisa".

F. A. Kabagambe-Kallisa
PERMANENT SECRETARY

Appendix 7: Other selected excerpts to enhance evidence

Findings category	Research case	Excerpt
Pre-reform	ALL	<i>The World Bank single-handedly financed the initial developments. They provided all the funding ...the technical support, they drafted all the documents ...We didn't have the capacity to do that. We needed the money ... We just accepted it the way it was. And right now, a lot of things are not reversible. (I001)</i>
Stakeholder engagement / social and political capital / political salience / stage of institutionalisation	ALL	<i>And if they know that they have invested during the Museveni regime, and the president must have given them contracts, quotation..., they will not be extremely enthusiastic for another person for change. ... So they put in money during elections; they lobby the western world to support the status quo; and they are so powerful in their home areas. They also lobby their home governments to ignore...(I020)</i>
Stakeholder engagement	Frinam	<i>Frinam has established a dedicated NEPAD team with a mission to facilitate the leveraging of Frinam's resources to promote, develop and implement NEPAD's related projects in the power sector (D011)</i>
Stakeholder engagement	Pisu/Energy Global	<i>And these people (heads of the different regulatory institutions) were in the negotiations in the initial phases of the project. They were also involved in the negotiations with the EPC contractor....So there was a good understanding of how the system fitted together... Because later...they understand the history and why certain things have been done the way they are done. It makes co-ordination so much easier.(I005)</i>
Local embeddedness	Pisu/Energy Global	<i>They for example paid for resettlement of the 'spirit' first time. Then they were told that the spirit had returned and they needed to pay a second time. Then was also a claim that people were seeing ghosts at night and so Pisu/Energy Global was asked to handle that. So it had to provide the money needed to deal with the issue, i.e. the rituals involved. (I006)</i>
Local embeddedness/social and political capital	Prolux	<i>If people are at the bar and they are hearing someone complaining about us, they should officially bring us that information. ..And you know our project is in a heavily populated community. You can't deal away with people. You have to learn to live with them as your neighbours because you are not about to shift and they also are not going to shift. (I015)</i>

Findings category	Research case	Excerpt
Local embeddedness / political salience	ALL	<i>Yes, while electricity is beneficial, it adds value, the process of bringing it has its own price that is politicised during political periods; yeah, some politicians using it for political gains. Instigating people to basically riot against us; then we have to look for money.(I036)</i>
Political salience	Pisu/Energy Global	<i>I think the regulator automatically realises that increases in royalties is going to mean increase in tariff. And who then are you loading? You are loading the ordinary citizen with the additional royalty the local councils are requesting. So it is a situation that these guys have to sort out. But certainly we are not averse to paying royalties.(I005)</i>
Understanding Africa	Avin	<i>The Members of Parliament took Avin and this Land Commission to court. We have been in court for almost 3 to 4 years. Then, the case was decided in our favour. They have now appealed. (I017)</i>
Understanding Africa	Pisu/Energy Global	<i>It is a political problem (concerning The Grand Inga), but the engineering solutions are relatively easy. It (DRC) is a very difficult country. ... You know in the 50 and 60s hydro was developed in Europe and America. In the 70s it moved to South America. After that it was the Far East, China, Vietnam... I believe it is now Africa's time. (I005)</i>
Institutionalisation	ALL	<i>Finally, when the ad hoc committee realized that we had met every single action...; they played that card, that ERA was not protecting the government interests hard enough. So, now, they are really engaging us in terms of what the writ of the law says. So we have a very intense time, right now ... (I037)</i>
Institutionalisation / institutional context	ALL	<i>One of the main reasons for a country like Uganda is that there has to be somebody in-between who is going to take the government risk. All these risks you see in power purchase agreements are managed through transmission. And people would like to have that assurance. That's why I don't see transmission moving away from government in the short to mid-term. (I021)</i>

Appendix 8 - Interviews, interviewee profiles and interview codes

Interview No.	Interviewee Profile	Interview Code
1	Industry analyst and academic based at a University in Uganda	I001
2	Client and customer care relations manager (former senior manager in the unbundled state monopoly)	I002
3	Former country representative of a multilateral agency	I003
4	Former minister in charge of energy and natural resources	I004
5	General Manager of an international joint venture project in the electricity sector	I005
6	Manager at the state-owned electricity generation oversight company (former social and environment affairs manager at an international project)	I006
7	Project Manager of an international joint venture project	I007
8	Senior civil servant, Ministry of Electricity and Mineral Development	I008
9	Investor in Uganda's electricity sector	I009
10	Technical manager for an international project	I010
11	Corporate Affairs Manager for an international project	I011
12	Senior Manager in the electricity distribution subsector (former bid processing manager at the unbundled state monopoly)	I012
13	Risk management director at an international project	I013
14	Senior operations manager at an international project	I014
15	Managing director at an international project	I015
16	Senior energy policy officer at a country diplomatic representation	I016
17	Senior project manager at a local firm	I017
18	Project manager at a local firm	I018
19	Senior manager at the environmental management agency	I019
20	Member of Parliament and policy advisor on energy	I020
21	Senior manager at the state-owned electricity transmission oversight company	I021
22	Senior project manager at a local firm	I022

Interview No.	Interviewee Profile	Interview Code
23	Investor in Uganda's electricity sector	I023
24	Senior academic and industry analyst based at a University in Uganda	I024
25	Chairperson, Local Government Council	I025
26	Economist and sector observer	I026
27	Senior civil servant, Ministry of Electricity and Mineral Development	I027
28	Senior Officer at the environmental management agency	I028
29	Former Minister of Energy and Mineral Development	I029
30	Senior civil servant, Ministry of Electricity and Mineral Development	I030
31	Senior management consultant and academic	I031
32	Deputy CEO for a local company	I032
33	Technical manager at the state-owned electricity generation oversight company	I033
34	Senior financial officer at the state-owned electricity generation oversight company	I034
35	Senior Member of Parliamentary Adhoc Committee into Uganda's electricity sector	I035
36	Communications Director, rural electrification agency	I036
37	Senior Manager in the electricity distribution subsector (former bid processing manager at the unbundled state monopoly)	I037
38	Client and customer care relations manager (former senior manager in the unbundled state monopoly)	I038
39	Economist and sector observer	I039
40	Economist, regulatory body	I040
41	Head of an NGO in the sector	I041
42	Senior Manager of an international company	I042
43	Senior Manager of an international company	I043
44	Risk Management Officer of an international company	I044
45	Information Management Officer, policy institution	I045
46	Mayor of a project hosting town	I046
47	Former cabinet minister and policy maker	I047
48	Management Consultant and University Lecturer	I048
49	Librarian and Information Manager in	I049

Interview No.	Interviewee Profile	Interview Code
	Energy Sector	
50	Utility Customer	I050

Appendix 9 – Archival documents and document codes

Document No.	Document description	Document code
1	Letter by International Rivers Network to the Bujagali I project	D001
2	Uganda Parliamentary Energy Ad hoc Committee report on the electricity sector, 2012	D002
3	Salim Saleh report of enquiry into Uganda's electricity sector, 2009	D003
4	Materials from Avin International website	D004
5	Social and Environmental Assessment (SEA) report (Pisu/Energy Global), 2006	D005
6	Letter by ERA executive director to Permanent Secretary, Ministry of Energy and Mineral Development (MEMD), 2011	D006
7	Letter by Minister of Energy and Mineral Development to governing board of ERA, 2011	D007
8	Strategic plan for the Uganda power sector, Ministry of Natural Resources, 1997	D008
9	Presentation by Pisu about the West Nile Rural Electrification Company (Wenreco) to UNEP Workshop on rural electrification, Nairobi, March 1-3, 2006	D009
10	Materials by Pisu/Energy Global project General Manager on YouTube	D010
11	Frinam Uganda annual reports 2003	D011
12	Speech by Uganda's ambassador to France at UK-Uganda Investment Convention, September 2014	D012
13	Avin annual report 2010	D013
14	Avin annual report 2011	D014
15	Avin annual report 2012	D015
16	Pisu/Energy Global Project document	D016
17	Prolux Project Brief	D017
18	Energy Global website materials	D018
19	MEMD annual reports, 1999	D019
20	Research report on the impact of the Prolux project on local employment patterns, 2013	D020
21	Pisu/Energy Global project document at MEMD	D021
22	Pisu/Energy Global project document at MEMD	D022
23	Pisu/Energy Global project document at MEMD	D023
24	Pisu/Energy Global project document at MEMD	D024
25	Profile of Avin Group of companies in Uganda	D025
26	Avin Group Magazine, February 2014	D026
27	Speeches at commissioning of Bujagali Dam, October 2012	D027
28	Uganda President's remarks at 10-day ruling party's parliamentary caucus retreat, 14 th January 2012 (State House Press Release)	D028
29	Developments and investment opportunities in renewable energy resources in Uganda, ERA, June 2013	D029
30	Avin website materials (self-profile)	D030
31	Avin website materials (renewable energy)	D031

Document No.	Document description	Document code
32	Investment opportunities in energy and infrastructure summit (21 st February, 2013), Ambassador's closing remarks for American Chamber of Commerce, Kampala, Uganda	D032
33	Independence Day Reception, Kampala, July 5 th 2012, Chargé d'Affaires Remarks, US Mission, Uganda	D033
34	US-Uganda Relations, Fact Sheet, 8 th October 2013, Bureau of African Affairs, US Department of State	D034
35	Kakaire, S.(2013) Museveni Directive threatens new-found sugary opportunities, <i>The Observer</i> , Kampala, Uganda	D035
36	Chapter 11 from the 2013 Budget Proposal from the Norwegian Ministry of Foreign Affairs; Energy and Development Report on Policy Coherence for Development 2012	D036
37	Speeches at the launch of the Kimaka maternity centre by Frinam and Jinja Municipality Member of Parliament, 10 th March 2014, Jinja, Uganda	D037
38	Presentation by the Deputy General Manager, Avin, at the Busoga Investment Olwekobaano, 17 th -20 th December 2014, Jinja, Uganda	D038
39	Presentation by the Managing Director, Kakira Outgrowers Rural Development Fund (KORD), at the Busoga Investment Olwekobaano, 17 th -20 th December 2014, Jinja, Uganda	D039
40	Businge, J.(2014) Eskom's Bigger Say, <i>The Independent</i> , Kampala, Uganda	D040
41	Louise, L.(1983) Exiled Asians return 'home' to help Uganda rebuild, <i>Christian Science Monitor</i> , USA	D041
42	Speech by the Agha Khan at the opening of Serena Hotel, 10 th November 2006, Kampala, Uganda	D042
43	Comments by Uganda's ambassador to the USA (embassy website materials, 2014)	D043
44	Press Statement prior President Jacob Zuma's state visit to Uganda, 23 rd March 2010, Zuma eyes stronger ties with Uganda, South African Government News Agency	D044
45	Nabwiso, S.(2014) Nordic Investors Visit, <i>East African Business Week</i> , 23 rd November, Kampala, Uganda	D045
46	Energy Global website materials (self-profile)	D046
47	Energy Global, Press Release on being named 'Africa power deal of the year 2007' by Euromoney 'Project Finance Magazine', 11 th March 2008.	D047
48	Frinam global annual report, 2005	D048
49	Preliminary response to Pisu/Energy Global's bid for the Ruzizi hydropower dam project	D049
50	Avin in other African countries, company self-profile, 2014	D050
51	News reports on disagreement between power firms and Jinja Municipality on percentage of royalties for local government	D051
52	News reports on Frinam's central board's visit to the subsidiary in Uganda	D052
53	Lubega, H. (2014) How Uganda's wealth has changed hands since 1962, <i>Daily Monitor</i> , Kampala, Uganda.	D053
54	Act No.13 of 2001: Eskom Conversion Act, 2001, Republic of South Africa	D054
55	NEPAD lays out vision for Africa (materials from Media Club South Africa and southafrica.info)	D055
56	Pienaar, G.(2010) Clean Energy – Corruption and conflicts of interest in the electricity sector, 14 th International Anti-Corruption Conference, 13 th November, Bangkok, Thailand	D056
57	Simon D'Ujanga, Minister of State for Energy, Contribution to Issues of Sustainable Development on a United Nations Forum	D057
58	Mugerwa, Y.(2012) Government in spotlight over Eskom deal, <i>Daily Monitor</i> , 1 st February,	D058

Document No.	Document description	Document code
	Kampala, Uganda	
59	Materials from fin24.com on investigation into corruption in a major South African power company	D059
60	News reports on President Zuma's instructions concerning investigations of corruption at a major South African power firm (mg.co.za).	D060
61	Pisu/Energy Global project document at MEMD	D061
62	Pisu/Energy Global project document at MEMD	D062
63	Pisu/Energy Global project document at MEMD	D063
64	Frinam Uganda Annual Report 2004	D064
65	Frinam Uganda Annual Report 2005	D065
66	Frinam Uganda Annual Report 2006	D066
67	MEMD Annual Report 2000	D067
68	MEMD Annual Report 2001	D068
69	MEMD Annual Report 2002	D069
70	MEMD Annual Report 2003	D070